WORLD BANK NEWS

Volume XIII, No. 17 April 28, 1994

PUBLICATIONS

Living Standards Rise For Many Millions of the World's Poorest People

Helping to reduce global poverty is the World Bank's overarching purpose. But although the living standards of many millions of the world's poorest people have improved substantially over the last 20 years, the battle against global poverty is far from won, two recent World Bank reports say.

According to the *Social Indicators of Development, 1994*, which looks at poverty in 192 countries, most of the poorest people live in 55 countries which have a combined population of 3.2 billion and an annual per capita income of $675 or less in 1992.

Despite being poor, these countries have seen significant progress:

- Life expectancy has increased from 53 years to 62 years since 1970
- Infant mortality has fallen from 110 per 1,000 live births in 1970 to 73 per 1000
- Income—or gross national product (GNP) per capita—has risen from $190 in 1975 to $390
- Access to safe water went up from 33 percent of the population in 1975 to 68 percent
- Primary school enrollment rose by 36 percent in the past 20 years
- Global immunization against measles has risen from about 50 percent in 1985 to 70 percent.

Partly because of a growing population, however, the absolute number of people in poverty is rising even though the proportion is falling. The Bank estimates that about 1.1 billion live on the equivalent of less than a dollar a day. And the rate of poverty reduction was faster in the 1970s than in the 1980s.

Progress has also been uneven between regions. East Asia, for example, has made the most rapid advances. In China, per capita GNP has risen from $270 in 1980 to $470. In Sub-Saharan Africa, by contrast, GNP per capita fell from $570 in 1980 to $350 in 1992.

Lewis T. Preston, president of the World Bank, said: "We are making progress, but it is not fast enough. The overall level of poverty remains totally unacceptable."

Measures for pressing home the attack on poverty are set out in *Poverty Reduction and the World Bank, Progress in Fiscal*

See POVERTY, *page 4*

UNICEF/Matt Flynn

Poor people are healthier than ever.

1994 Spring Meetings end with agreement between rich and poor countries on the need to slow population growth. **2**

The Bank names the chairman and two members of a panel to investigate complaints by people affected by development projects. **3**

The Bank, along with environmental groups and donor governments, pledged funding toward Russia's plan to clean up pollution. **6**

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SPRING MEETINGS

Rich and Poor Countries Strengthen Resolve to Reduce Population Growth

Slower population growth is essential to reducing poverty, especially in the poorest countries, and further measures are needed to cut the rate at which the number of people in the world is increasing, industrial and developing countries agreed at this week's meeting of the Development Committee.

The committee, which met in Washington DC as part of the Spring Meetings of the World Bank and the International Monetary Fund, brings together ministerial representatives of industrial and developing countries. Ahead of the United Nations Conference on Population and Development, due to be held in September, the committee called for more funding for family planning, better education for girls, and more health care.

In a communique issued April 26, the committee said funding will have to come from several sources, including consumer charges, governments, donor countries, and multilateral institutions. The World Bank said it is ready to increase population lending at the request of borrowing countries.

Speaking to the Development Committee, Lewis T. Preston, president of the World Bank, warned that the flow of concessional funds to the poorest countries was unlikely to grow much and that donors would place increasing emphasis on the efficient use of resources.

Ministers agreed at the Development Committee meeting to set up a Task Force to study the role of multilateral development agencies, particularly the regional development banks. Rudolf Hommes, the finance minister of Colombia and retiring chairman of the Committee, said there was too much overlapping in development assistance. "There should be less overlapping and more coordination," he said. The Committee selected M'hamed Sagou of Morocco as its next chairman.

Background papers prepared by the World Bank and others looked at the key issues ministers considered. In addition to population, other issues were economic migration, world trade following the completion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), and implications for developing economies of the improving commodities market.

Population

Efforts to slow population growth have been successful in many countries, where rising contraceptive use and socio-economic changes have helped lower birth rates, according to the papers on population. The World's population is estimated to have been 5.27 billion in 1990. But broad variation exists among regions and countries, and overall population in developing countries will grow more during this decade than ever before. Asia, where almost 60 percent of the world's people live, has shown the largest absolute growth from 1950 to 1990, while Latin America and Africa have shown the largest percentage increases. Population in Africa has nearly tripled since 1950.

And while birth rates have fallen in many countries, populations are still growing because children born during earlier high-growth periods are now reaching reproductive age and having their own babies. Demographers call this powerful phenomenon "population momentum" and say it illustrates the need for countries to begin or strengthen population control measures sooner rather than later.

The Bank's background paper estimates that to meet family planning needs in developing countries, global spending on population programs would have to double over the 1990s. The paper calls for country-specific population strategies as part of a broader effort to reduce poverty and promote human resource development. And in addition to expanded family planning, the paper advocates improving the status of women as crucial for population control. Greater access to education, credit and income-earning opportunities is needed now, along with reducing maternal and infant mortality, the paper says.

"It's become obvious that one of the most effective ways to control population growth is education of women," Preston said at a press conference after the meeting.

Migration

A report on economic migration by Philip Martin, an economist from the University of California at Davis, describes the 100 million people who work outside of their home countries as a vast "nation of migrants" equivalent to the world's 10th largest population. Migration is fueled, Martin says, by the demand for labor in destination countries, the push of joblessness in home countries and the networks that spring up between workers abroad and their compatriots still at home. All three factors continue increasingly to encourage migra-

See top of next page

M. Iannacci

Pictured from left at the Development Committee are: Peter Mountfield, Rudolph Hommes, Lewis Preston, and Michel Camdessus.

READEX

Committee Urges Commodity Producers to Diversify

from previous page

tion, and the trend is growing by 2 million to 4 million workers a year in industrial democracies.

The report notes, however, surprising facts about migration and calls for greater study of the issue. For example, most people do not move, but rather live and die within a few miles of their birthplace. And most of those who do migrate go only short distances, moving mostly from one developing country to another.

"At the moment, all we can do is ask for some better research into this problem and work for better interagency cooperation," Hommes said.

Uruguay Round

Less than two weeks after the signing of GATT in Marrakesh, Morocco, the committee considered the Bank's preliminary assessment of the agreement and its effect on developing countries. Bank economists have begun an in-depth analysis of the accord, and the Bank plans a conference early in 1995 to present their results.

The preliminary report, meanwhile, finds that GATT should lead to significant increases in trade, incomes and investment for developing countries. They will enjoy direct gains from greater market access, especially for agriculture and textiles, and from improved efficiency resulting from their own liberalization commitments. GATT's more clearly defined rules for trade and investment, stronger enforcement institutions and exposure to global competition will also help poor countries.

But GATT's impact will be uneven. Countries with open economies and the ability to adjust and take advantage of new market opportunities will benefit most. Other countries , however, may suffer as a result of trade liberalization in agriculture, and some may lose market share as trade preferences erode. Most effects, good and bad, will not be fully felt for several years.

Commodities

Non-oil commodity prices fell by more than half between 1980 and 1993. As a result, developing countries' export revenues were an estimated $100 billion lower in 1993 than they would have been.

World Bank

Commodity prices improve, but remain volatile.

But the Bank's recently released *Global Economic Prospects 1994* noted evidence that the long price slide has finally bottomed out and projected a slight recovery in real prices to the year 2000.

Over the longer term, the report suggests there is scope for commodity-dependent economies to use their strength in the sector as a springboard to higher living standards. A number of developing countries have used strong growth in commodity exports as a centerpiece of their successful growth strategies.

But the communique warns that commodity prices are not likely to return to 1970s levels. The Committee urges developing countries not to postpone adjustment and diversification in the hope of dramatic price jumps. And countries can protect themselves against price fluctuations, the statement says, by market-based hedging instruments.

"It's a hedging operation rather than speculation," Preston said. "Both the Bank and the Fund think that commodity prices have ended their precipitous decline. There may even be a rise in some cases." The Bank may offer developing countries technical assistance for commodity hedging.□

G-24 Calls for More Assistance

Signs of economic recovery in many developing countries are encouraging, but industrial nations need to do more, both in reforming their own economies and in assisting poor countries, to continue and expand the prospects for sustained growth, said the Group of 24 meeting in Washington this week.

The G-24 consists of finance ministers from 24 developing countries that are members of the World Bank and the IMF. The group represents poor countries in discussions on development issues.

"Much remains to be done in order to improve the prospects of many developing countries where living standards have continued to decline for two decades," the group said in a statement issued after the meeting.

According to the statement, the ministers called for the international financial community to strengthen its support for economic reforms in developing countries, particularly in the form of further concessional assistance, improved access to export markets and relief of external debt.

See **G-24**, *page 4*

Economic Reforms Still Needed as Outlook Brightens

G-24, *from page 3*

The G-24 also praised the recent signing of GATT, but called for added assistance for poor countries during the transition to freer trade.

The group expressed concern about the prospects for improving commodities prices and the high degree of volatility in those markets. The statement called on countries to help commodities producers in the developing world by further opening markets to their goods and using GATT to reduce distorting trade practices.

In a speech to the ministers, World Bank president Lewis Preston noted the signs of a more favorable outlook for developing countries and called for continued effort to reform macroeconomic policies.

"The positive trends are due, in large part, to the adoption of improved economic policies in many countries," Preston said. "However, the new circumstances facing the developing world do not lessen the need for continued reform; on the contrary, they require that reforms should be deepened and expanded."

While private capital flows to developing countries are increasing, official assistance is still critical, especially for poorer countries, Preston said.

And in an era of tightening assistance budgets, donor governments increasingly direct resources to countries with the sound policies to use them efficiently, he said. □

Social Sector Projects Reduce Poverty

POVERTY, *from page 1*

1993. For example, Bank lending for human resources development—such as education, health, family planning, and nutrition—has tripled since the early 1980s and is now 15 percent of the total. Lending for agriculture and rural development, water supply and sanitation, and other sectors such as urban and transport also help to reduce poverty.

But, according to the report, a review of the Country Assistance Strategies (CASs), which establish in agreement with borrowers the bases for promoting development in individual countries, found that they were not being used as effectively as they could be in the fight against poverty.

The Bank consequently agreed that, starting last January, all CASs should focus more closely on poverty reduction so that it could be better integrated into the overall development effort. At the same time, the Bank is trying to understand better how policy changes and development programs affect the poor.

Encouraging more participation in projects by local people in borrowing countries is crucial to gaining more insights into communities and households. More information about households is also becoming available from household surveys, and that will help to improve the quality of the poverty assessments which influence poverty reduction strategies. In addition, poverty-monitoring systems need to be strengthened, the report says.

The Social Indicators of Development, 1994 points out that although the poverty rate has stayed the same in some countries, infant mortality—a key measure of living standards—has fallen because of more access to public health services. The spread of free public education has assisted more children than ever to attend primary school.

"The new report clearly shows that investment in people pays off," Preston said.

Journalists can obtain a copy of these reports by writing on company letterhead to: The World Bank, 1818 H St., N.W., Rm. T-8028x, Washington, D.C. 20433, or by sending a fax to (202)676-0585.□

Europe Should Embrace, Not Fear, East Asia, Bank Official Says

Europe has much to gain from close ties and vigorous trade with the economically booming countries of East Asia, the World Bank vice president for that region told a business audience in Brussels. Here are excerpts from the April 25 speech by Gautam Kaji, Bank vice president for East Asia and the Pacific:

"Europe's approach to developing East Asia reflects opportunity and, if I may say so, apprehension. Opportunity because the region is, after all, one of the few really bright spots on the world economic horizon. But apprehension too, as is evident in the EC's discussion of cutting back trade preferences to Asia. There seems to be a feeling that the developing countries of East Asia have an unfair advantage, that they are not playing by the rules.

Underscoring this is, of course, the anxiety the competition brings. From my vantage point in Washington, and traveling often through East Asian capitals, I perceive that Europe's applause for what is going on in East Asia is mingled with a certain trepidation. That is understandable, but I would argue that your fear is misplaced.

M. Iannacci

Gautam Kaji

You ought not view your trade with developing East Asia as an act of largess. Far from the age-old fear that trade with poorer countries means exporting jobs, I would argue that trade with East Asia offers the best long term prospects for job growth and economic security in Europe.

I am talking of jobs that respond to emerging needs in competitive markets."□

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APRIL				
28-29	Annual Bank Conference on Development Economics	World Bank	Washington	(202)473-1062*
MAY				
3-5	Annual Meeting of Board of Governors	Asian Development Bank	Nice, France	(63-2)711-3851
5-6	Mauritania Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
9-11	Middle East/North Africa Council of Advisors	World Bank	Tunis	(202)473-2318
10-11	Peru Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
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19	Latvia Public Investment Meeting	World Bank	Paris	(33-1)4069-3016
20	Estonia Public Investment Meeting	World Bank	Paris	(33-1)4069-3016
23-27	Consultative Group on Int'l Agricultural Research	World Bank	New Delhi	(91-11)600121
JUNE				
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MEETINGS

Bank and Donors Back Russia's Environmental Clean-Up Plan

The World Bank, along with environmental groups and donor governments, agreed last week to help fund a Russian plan to clean up pollution and upgrade the country's environmental protection systems.

The group, meeting in Washington, pledged a total of $187 million toward the far-reaching project, including a proposed $110-million World Bank loan, the first for environmental protection in Russia, and a proposed $25-million grant from the Global Environment Facility. Other donors include Canada, the European Union, Finland, Norway, Switzerland, the United States and the World Wildlife Fund, and additional pledges are expected.

"We're seeing more and more donors becoming interested in the environmental sector in Russia," said Roger Batstone, principal environmental engineer in the Bank's Russia department. "With their participation the Russian government will be able to cover more areas of the country."

The environmental problems are widespread. Russia's characteristic massive industrial complexes, and associated pollution, are found in most parts of the country: heavy industries in the West, oil and gas production in Siberia and mining in the eastern regions.

A key part of the project will establish a new pollution abatement fund to clean up contaminated water, air and soil. These operations will pay for themselves by recovering harmful pollutants—such as spilled oil, copper tailings or discharged refinery gases—and reselling them as usable materials. The project will also help Russia merge environmental factors into its economic, social and political reforms by bringing outmoded environmental management systems up to date.

"With central planning, they were concentrating on production, not efficiency," says Batstone. "A lot of resources were wasted and a lot of land and water were polluted."

Final approval for the Bank loan is expected in June.□

ANNOUNCEMENTS

Chairman and Members Named to Inspection Panel

The World Bank last week announced the names of the chairman and two members of an independent inspection panel that may investigate complaints that the Bank has failed to follow its own policies and procedures in its development work.

Ernst-Gunther Broder was named to a five-year term as chairman of the body. Broder, a German national, is a former president of the European Investment Bank and a Governor of the European Bank for Reconstruction and Development.

Alvaro Umana Quesada, former minister of natural resources for Costa Rica and a board member for several environmental and research groups, will serve four years as a member of the group. And Richard Bissell, a U.S. national who worked for several years for the U.S. Agency for International Development and taught at several American universities, was named to a three-year term.

Panel members are nominated by the Bank's president and approved by the executive directors. The panel is the first such body for a multilateral organization, and is part of the Bank's policy of improving project implementation, accountability and openness.

The panel may investigate complaints by groups of people adversely affected by particular Bank projects. After the executive directors receive a request for inspection, the Bank will make public the request, the panel's recommendation on the request, and the executive directors' decision on whether to proceed. The Bank will also make public the panel's findings and the management's response.□

WORLD BANK NEWS

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.

WORLD BANK NEWS

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LENDING

Bank Unveils $1.2 Billion Emergency Assistance For Occupied Territories

As Israel and the Palestinians signed their agreement for Palestinian administration of the Gaza Strip and Jericho, the World Bank released a three-year, $1.2 billion plan to help rebuild the Occupied Territories' battered infrastructure and kindle critical economic activity.

The plan, part of $2.4 billion in assistance pledged by donors after the September 1993 peace accord, puts economic management into Palestinian hands to lay the groundwork for economic growth. The funds will allow Palestinians to improve services, build from scratch economic and government institutions and attract much-needed private investment from expatriate Palestinians, international investors and Arab states.

"If the peace process has any hope of success, the Palestinians need to see improvements in their living conditions very quickly," says Caio Koch-Weser, World Bank vice president for the Middle East and North Africa. "The program and the funds behind it are for the immediate needs of the Palestinians and will help create a new physical and social infrastructure."

The program, which is outlined in the summary report *Emergency Assistance Program for the Occupied Territories*, released this week, was jointly prepared by the Bank's staff and a team of Palestinians. The summary report draws on a two-volume analysis completed in April of every important sector of the economy of the West Bank and Gaza—from human resources such as schools, health and training to transportation, power and housing—and identifies priority spending.

The economy of the territories is severely strained, according to the report. Income levels have stagnated over the last decade, unemployment and underemployment are high, social services are stretched

See ASSISTANCE, page 2

AP Photo/Michel Euler

Done. Now living conditions must improve.

Sector-by-sector summaries of Palestinian emergency assistance plan. 3

The Bank and international donors move to stop massive, worldwide depletion of fish stocks. 4

Donor groups recommend reforms for Caribbean nations and Bangladesh. 6

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Territories Capable of Sustained Growth, Report Says

ASSISTANCE , *from page 1*

thin and fragile natural resources are in danger of serious damage.

In spite of those indicators, the report finds cause for hope. The "economy appears capable of sustained growth," the report says, "provided there is peace and stability in the region, and provided the economy is soundly managed with a mix of prudent macroeconomic policies, expanded public services, a supportive environment for private sector development and an expansion of trade to the region and the rest of the world."

B. Burgess

Caio Koch-Weser

The first year of the program calls for committing $393 million for infrastructure, social, administrative and private sector spending. In the second year, $379 million will follow , and in the third, $428 million. In those three years, Gaza will receive $429 million and the West Bank will get $708 million. The second half of the pledged $2.4 billion is committed for the fourth and fifth years of the program.

Over the five years, annual aid to the territories will reach about 15 percent of their Gross Domestic Product, which is about the most any country can absorb, says Koch-Weser. "Even though the aid flows are significant, we think the economy can absorb it without becoming over-dependent on aid in the long run," he says.

Half of the first $1.2 billion will finance crucial public works projects in transportation, water, solid waste, power, agriculture, telecommunications, housing, education and health. The first projects to break ground, some starting in 1994, will be sewer construction and solid waste handling operations, according to Bank experts. The remaining funds will go to technical assistance programs, administrative start-up plans, and private sector support (see table on page 3).

Because the Palestinians lack established government and economic institutions, initially the funds will be disbursed, under tight rules for accountability, through interim channels, including the newly-formed Palestinian Economic Council for Development and Reconstruction (PECDAR), municipalities, non-governmental organizations and United Nations agencies. □

Critical needs in Palestinian economic sectors

Transportation. The coverage of the road network serving Palestinian communities is adequate, but poor maintenance over the years has led to progressive disintegration. The program calls for $73 million in road spending.

Water Supply and Wastewater Treatment. Most water supply networks are in urgent need of upgrading. The systems are generally old and many supplies are inadequately chlorinated. Most sewage in the territories is discharged untreated, resulting in environmental contamination. The three-year plan specifies water and wastewater spending of $111 million.

Solid Waste. The waste collection systems of Gaza and the West Bank reach only 50 to 70 percent of homes and businesses in most villages and towns. Hospital and slaughterhouse waste is collected together with general refuse and discharged into open dumps. The program calls for $57 million for sanitary landfills, new trucks, bulldozers, trash containers and dumpsters.

Power. About 20 to 40 percent of low-voltage lines are in poor condition and must be rebuilt. Transformers are overloaded and electrical losses can reach 20 percent. In the West Bank, 7 percent of people have no access to electricity and many others have power only a few hours a day. The program calls for $108 million over three years to rehabilitate and upgrade the systems.

Telecommunications. There is a suppressed demand for phones in the territories, where Palestinians have only about 2.9 phones per 100 inhabitants. In the Gaza Strip, more than 40,000 people are on the waiting list for phones. Some have been waiting as long as 23 years. The program calls for adding more than 57,000 new subscribers by 1996. About $100 million in private sector funding could be added to the program's $13 million for telecommunications.

Housing. Housing is a critical shortage in the Occupied Territories. About 50 percent of the population in Gaza and 10 percent in the West Bank live in poor conditions in refugee camps in the main cities. The program will spend $10 million to upgrade conditions in the camps and another $80 million to help private developers expand low- and moderate-income housing.

Education. The Palestinian educational system, while extensive, is often crowded and underequipped. The program calls for an estimated $80 million to add library, computing and laboratory facilities and better buildings.

Health. The health sector and health indices for the Palestinians compare favorably to other middle-income societies. To improve the efficiency of the system, which costs about 10 percent of GDP, the program calls for spending $18 million.

Emergency Assistance Program For West Bank and Gaza

Cost Summary (US$)

	Year			Area		
	1994	1995	1996	Gaza	WB	Total
Public Investments						
Transportation	19	28	26	27	46	73
Water and wastewater	22	39	50	44	67	111
Solid waste	13	18	26	25	32	57
Power	33	38	37	32	76	108
Municipalities	17	31	36	32	52	84
Housing	10	10	10	25	5	30
Telecommunications[a]	13	—	—	5	8	13
Education	27	25	28	35	45	80
Health	8	7	3	6	12	18
Agriculture	5	10	11	3	23	26
Sub-total	167	206	227	234	366	600
Private Sector Support						
Telecommunications	15	35	50	50	50	100
Housing	10	25	45	30	50	80
Agriculture	1	7	12	5	15	20
Industry	24	33	43	40	60	100
Sub-total	50	100	150	125	175	300
Start-up Expenditure Support						
Central Administration Start-up	108	—	—	50	58	108
Incremental Support to NGOs	50	40	27	50	67	117
Sub-total	158	40	27	100	125	225
Technical Assistance						
Institution Building & Training	8	12	7	11	16	27
Policy Studies	2	6	3	5	6	11
Project Preparation & Implementation	7	12	11	14	15	29
Feasibility Studies	1	3	4	3	5	8
Sub-total	18	33	25	33	42	75
TOTAL	**393**	**379**	**428**	**492**	**708**	**1200**

a. Assumes most investments in telecommunications will be financed privately.

Bank and Donors Group Seek To Stem The Tide of Global Overfishing

Trying to head off an oceanic version of runaway deforestation, the World Bank and international donors have launched a search for solutions to worldwide overfishing of dwindling fish stocks.

The Fisheries Development Consultation, an international group of donor governments, lending agencies and nongovernmental organizations, announced at its Paris meeting last week the formation of a task force to draft policy guidelines to help coastal countries manage and protect their fisheries.

Worldwide, it is estimated that one of every three major fish stocks is overfished by a ballooning global fishing fleet. And following decades of steady increases, the world's total marine catch dipped by almost five million metric tons from 1989 to 1991, to 81.7 million tons—a warning flag that may signal the upper limits of wild fish production.

"We are heading into another renewable resource disaster," says Eduardo Loayza, fisheries advisor in the Bank's Agriculture and Natural Resources Department. "We have far too many vessels chasing too few fish, worldwide. It's like deforestation, but you can't see it under the ocean."

Overfishing has reached unsustainable levels for both developed and developing countries, Loayza says. Most of the fleet belongs to industrial countries, with boats that work both local—within 200 miles of their own coast—and international waters. But heavy fishing occurs increasingly around developing coastal countries, which maintain their own commercial and subsistence fishing boats. The poorest countries also license ever wider-ranging foreign vessels to fish within local waters.

"Some coastal states, in urgent need of foreign currency, have authorized foreign fishing permits that exceed the total biomass of the resources," Loayza says.

The task force will scrutinize overfishing issues and resource management standards around the world. The group will then outline sustainable policies, management practices and legislative regimens for particular countries and regions that donors can use to guide their assistance programs.

The Bank, which lends from $40 million to $180 million yearly for fisheries projects, could use the guidelines to play a key role in encouraging better fisheries management in developing countries, Loayza says.

> **We are heading into another renewable resource disaster.**
>
> — Eduardo Loayza

The Consultation was formed in 1986 to help the donor community coordinate its varied—and often conflicting or overlapping—activities in fisheries development.

One of the group's spinoff projects, a secretariat in Ottawa, Canada, acts as a fisheries research broker, helping developing countries determine their research priorities and matching them with funding available from donors. That project is helping establish aquaculture research in Africa and Latin America, and has built an information database on fisheries projects around the world.

In addition to the Bank, members of the group attending the Paris meeting include the African Development Bank, Belgium, Canada, Denmark, the Commission of the European Communities, the European Investment Bank, the Food and Agriculture Organization, France, Germany, Greenpeace (as observers), Iceland, the International Fishmeal and Oil Manufacturers Association, Italy, Luxembourg, The Netherlands, Norway, the Organization for Economic Cooperation and Development, Portugal, Sweden, the United Kingdom, the United States and the United Nations Development Programme. □

World Bank

A good catch is getting harder to find.

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MAY				
3-5	Annual Meeting of Board of Governors	Asian Development Bank	Nice, France	(63-2)711-3851
5-6	Mauritania Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
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6-7	Romania Consultative Group	World Bank	Paris	(33-1)4069-3016

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CONSULTATIVE MEETINGS

Caribbean and Bangladesh Donors Meet

Groups Encourage Reforms, Pledge Assistance

Consultative groups meeting in Paris called on Caribbean nations and Bangladesh to step up their reforms to take advantage of new opportunities in global trade. Consultative groups bring international agencies, donors and recipients together.

The Caribbean

Members of a Caribbean donors group assessed the impact of world trade liberalization on Caribbean countries and called on them to continue their trade and economic reforms.

Representatives of 14 countries and international organizations belonging to the Caribbean Group for Cooperation in Economic Development met in Paris April 21-22. The group took note of the difficult period of economic transition faced by Caribbean countries as global changes in trade and capital markets push them to be more competitive.

While some changes may be painful in the short-term, participants emphasized the new opportunities for reform-minded countries created by the changing world economy. Countries of the region also need to broaden economic and functional cooperation among themselves, the meeting said.

Official aid to the Caribbean is down, participants noted, but the decline has been offset by a jump in private capital flows. To foster such foreign direct investment and other private capital, the group offered assistance for countries to emphasize private sector development.

The Caribbean Group was started in 1977 under World Bank sponsorship to coordinate donor activity and promote development in the region. The 12th biennial conference of the group will be in Washington during the week of June 6.

Bangladesh

World trade reforms and the Bangladesh government's good financial management offer the country a special window of opportunity to break into faster economic growth, according to the Aid Group for Bangladesh, meeting recently in Paris. The group signalled that fresh aid commitments of as much as $2.1 billion would be available if Bangladesh moves quickly on reforms.

The group, meeting April 19-20, called for rapid action by the government to increase the pace of its economic reforms and plans for sound public investment. Bangladeshi representatives at the meeting strongly reconfirmed the government's commitment to reform and to more aggressive implementation of both progressive social policies and deregulation.

To spur private investment, the group recommended further trade liberalization measures and industrial deregulation and faster privatization of state-owned companies. It also urged that financial sector reform should substantially strengthen the central bank and boost competition and efficiency among commercial banks.

Donors noted Bangladesh's progress in food production, family planning and child survival. The government plans to extend the initiatives to other areas, including primary and girls' education. Bangladesh is also becoming less aid dependent, covering more than a quarter of its public investment from tax revenues.

But the country still faces overwhelming problems of poverty, overpopulation and environmental fragility. □

URUGUAY Uruguay aims to improve the quality, equity and efficiency of its primary education system with help from a $31.5 million World Bank loan approved May 3. The project will provide new textbooks, materials, and libraries, along with better school buildings, teacher training and a new standardized achievement measuring system. The program will also boost preschool coverage and quality, and strengthen education administration.

WORLD BANK NEWS

Michael Prest, Editor
Cynthia Delgadillo, Production Assistant
Steve Hendrix, Reporter

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The World Bank Group is the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA). IBRD is the main lending arm of the World Bank. IDA is the World Bank affiliate that lends on concessional terms to the poorest countries. IFC finances private sector projects and advises businesses and governments on investment issues. MIGA promotes foreign direct investment through guarantees, policy advice, and promotional services.

WORLD BANK NEWS

Volume XIII, No. 19 May 12, 1994

REPORTS

Research Cuts Threaten World Food Supply, Report Warns

Food supply will fall short of world food needs within a few decades unless crop-boosting research is funded now, according to an independent blue-ribbon panel convened to examine the recent spending cuts in international agricultural research.

In a report to World Bank president Lewis Preston, the Action Group on Food Security grimly predicts that cutting research on high-yield farming while world population booms will cause widespread hunger in the fairly near future. The group projects the demand for food in developing countries will more than double by 2025, and then rise at least another 50 percent by 2050.

"Without stronger support for international agricultural research, a growing number of developing countries—and a growing number of poor within those countries—may face increasingly serious food shortages as early as the first decades of the next century, and these problems will certainly occur in later decades," says the report, entitled *Feeding 10 Billion People in 2050*. "The volume of food produced must increase enormously to meet demands in the next century."

With the most productive land already under the plow and high costs slowing

See FOOD, *page 2*

CGIAR

A helping hand for higher yields.

LENDING

Uganda Builds on Economic Reforms

Uganda, with a per capita income of only about $180 a year, is one of the world's poorest countries. But reforms are beginning to revive the economy, and prospects in the central African country are brightening.

Since 1987, Uganda's reform-minded government has laid key parts of the foundation for recovery. To help the country clear some of the remaining hurdles to sustained growth and poverty reduction, the International Development Association (IDA) on May 10 approved two projects totalling SDR 67.8 million ($94 million). The projects, a second structural adjustment credit of $80 million and a $14 million credit to the cotton sector, will help the government finalize broad reforms and target specific remaining needs.

"Uganda has basically completed its macroeconomic reforms-price incentives, the regulatory framework and some institutional reforms are in good order," says Emmanuel Ablo, a senior economist

See UGANDA, *page 2*

Radical reform may be best for transition economies, said economists at the Annual Bank Conference on Development Economics. 3

Turkey plans to launch a broad privatization program. 4

Consultative groups pledge assistance to Mauritania and Peru. 6

Development agenda, page 5

Lending roundup, page 6

Higher Crop Yields Key to Ample Food

FOOD, *from page 1*

the spread of irrigation, most of the food increase will have to come from higher--usually scientifically enhanced--crop yields and more efficient farming techniques, the group says.

But funding the search for better agriculture--both in the lab and in the field--has become more difficult in recent years. Contributions have declined to the Consultative Group on International Agricultural Research (CGIAR), the leading umbrella network that channels donor money to individual research centers around the world. CGIAR is chaired by the Bank.

Funding for the system fell by 7 percent ($18 million) between 1992 and 1993. Another 6 percent decline is projected this year, and some major donor countries, including the United States, areconsidering further cuts.

In response, the report calls for rich countries to stress spending on international research to increase food production, and to restore earlier levels of funding for CGIAR as a key coordinator of such research. The group also recommends the Bank spearhead a short-term financial stabilization effort to ensure funding does not fall below last year's level.

"If widespread hunger and damage to the environment are to be avoided, farmers in developing countries must have access to, among other things, a steady stream of effective new technologies and management practices to raise their agricultural productivity without further degrading increasingly threatened stocks of soil and water," the report says.

In the longer term, the panel recommends that the Bank, along with CGIAR co-sponsors the United Nations Development Programme and the Food and Agriculture Organization, seek new and more stable funding, strengthen CGIAR's management and review the system's research agenda.

Members of the panel include: former Ambassador Robert Blake (chairman), former Administrator of the U.S. Agency for International Development (AID) David Bell, Jessica Mathews of the Council on Foreign Relations in Washington, D.C., former World Bank President Robert McNamara and former AID Administrator Peter McPherson, now president of Michigan State University.

To obtain copies of the report, contact the Committee on Agricultural Sustainability for Developing Countries, 1709 New York Ave., N.W., Suite 700, Washington, D.C. 20006. Telephone: 202 662-2546.□

CGIAR

Making bread from cassava.

Project Aims to Win Farmers Back

UGANDA, *from page 1*

in the Bank's Education and Social Policy Department. "That is a major achievement."

Next on the reform agenda is improvement of key agricultural sectors like cotton and coffee and an overhaul of the civil service to expand the government's ability to provide basic services such as roads, education and health.

Among other reforms under the credits, Uganda will free up and revitalize its once robust cotton sector and complete the liberalization of coffee production and exporting that began under a previous IDA credit.

Cotton exports, which once accounted for 25 percent of the country's foreign exchange, have withered under government controls and monopolization to about 6 percent in the early 1990s, dropping from almost half a million bales to less than 60,000.

To win back small cotton farmers and attract new capital, the government is abolishing the ginning monopoly held by cooperative unions, most of which are insolvent, and the export monopoly held by the Lint Marketing Board. The separate cotton credit will help establish an industry-based regulatory body, strengthen management in the industry, boost research and extension programs and provide farmers with access to credit and improved seed.

An injection of competition into the cotton industry will stimulate interest among smallholders, Ablo says, just as kicking down barriers in the coffee sector has prompted new investment, including new bushes to take advantage of Uganda's excellent growing conditions.

Although blessed with fertile soil and a good climate, Ugandans have suffered harsh poverty since the 1970s as civil wars, political instability and mismanagement debilitated the country.

The economy inherited by the new government in the late 1980s was in ruins. Manufacturing had ground to a halt. Foreign exchange reserves were empty and the country's infrastructure was a shambles. In 1987, the government abandoned interventionist policies and launched a program of free-market reforms designed to improve living standards for average Ugandans.

The country has scored a number of impressive successes in stabilizing the economy. Year-on-year inflation dropped from 65 percent in 1992 to 12.5 percent last March. The government has largely deregulated the economy and begun to reform, reduce and privatize public institutions.□

MEETINGS

Economists Encourage Swift Reforms and More Help for Transition Economies

Radical and swiftly implemented macroeconomic reforms offer the best hope for transitional countries trying to shift from centrally planned to market-based economies, but stabilization and massive restructuring efforts like Russia's need more international help to succeed. These were two of the conclusions delivered by economists at a recent World Bank forum on development economics.

M. Iannacci

Jeffrey Sachs

The meeting, the Annual Bank Conference on Development Economics (ABCDE), held in Washington April 28-29, featured papers and round-table discussions on a range of policies and approaches to encourage economic development. In addition to presentations on the transition of socialist economies, themes included: new institutional economics, economic geography, international migration, changing labor markets and employment and development.

The conference, which every year brings together economists and other scholars from around the world to examine issues in economic development, was opened by Bank president Lewis Preston and included a keynote speech by Michael Bruno, the Bank's chief economist.

"Development issues have indeed changed dramatically in the last 25 years, along with drastic and largely unexpected changes in the world environment," Bruno said.

Harvard economist Jeffrey Sachs spelled out the potential crisis facing Russia and detailed ways to help the country avoid a collapse of its budding democracy. In his paper, *Russia's Struggle with Stabilization: Conceptual Issues and Evidence*, Sachs calls for a well-designed combination of internal reforms—including tight money and an early pegging of the exchange rate—and substantial international assistance to stabilize Russia's economy and consolidate democracy.

"The Western aid effort has fallen far short—in speed, direction, and magnitude--of the real need," Sachs says in the paper. "The Russian government should embark on a policy of rapid stabilization, backstopped by large-scale Western assistance."

See ABCDE, *page 4*

Other ABCDE Papers:

Do institutions matter for economic development?
Institutions and Economic Organization: The Governance Perspective. Oliver Williamson, University of California. Examines the critical, but often overlooked, role of institutions in carrying out the intentions of governments.

How much do constitutions contribute to development?
The Impact of Constitutions on Economic Performance. Jon Elster, University of Chicago. Concludes that constitutions matter for economic performance to the extent that they promote stability, accountability and credibility.

Are cities too big?
Urban Concentration: The Role of Increasing Returns and Transport Costs. Paul Krugman, Massachusetts Institute of Technology. Examines the role and effect of very large urban centers in developing countries.

Industrial policy versus laissez-faire.
The Interaction between Regional and Industrial Policies: Evidence from Four Countries (Korea, Brazil, Japan and the United States). Ann Markusen, Rutgers University. Concludes that industrial policy was essentially compatible with regional policy over the postwar period, but has become less so in recent years.

Why do European countries attract migrants?
European Migration: Push and Pull. Klaus Zimmermann, University of Munich. Examines the phenomenon of, and increasing concern over, economic migration in Europe.

Why do migrants return?
Frontier Issues in International Migration. Oded Stark, The Hebrew University of Jerusalem. Asks why and which migrants return home, why and how much migrants remit and what explains migrants' market performance.

Solving employment problems in Eastern Europe.
Labor Market Responses to a Change in Economic System. Robert Flanagan, Stanford University. Observes that the expansion of the private sector in Eastern Europe has reversed—if not eliminated—many of the labor market distortions established under central planning.

To obtain copies of the ABCDE papers, please contact Mani Jandu, Room N9-029, World Bank, Washington, D.C. 20433. 202 473-1264.

Reform Depends on Clear Property Rights

ABCDE, *from page 3*

Economists Leszek Balcerowicz of the Warsaw School of Economics and Alan Gelb of the Bank proposed that radical transition is the "least risky option" for post-socialist countries pursuing fundamental political change. In their paper, *Macropolicies in Transition to a Market Economy*, they focus on three economic elements - macroeconomic stabilization, the liberalization of prices, markets and entry, and institutional change—and conclude that quickly launched and rapid reforms offer the best chance of lasting improvement.

M. Iannacci

Michael Bruno

Experience in the former Soviet Union and Eastern European countries, their paper says, indicates that following a dramatic political "breakthrough," a brief window of reform opportunity opens, one especially ripe for macroeconomic reform and liberalization.

"Initial stabilization has been most successful when radical programs have been launched during an early period of extraordinary politics following the breakthrough," the paper says. "The return to ordinary politics that emerges after an initial hiatus complicates further stabilization by raising inflationary expectations, slowing down the implementation of structural and institutional reforms and reducing the propensity of state enterprises to adjust."

Andrei Shleifer, an economist at Harvard University, described how poorly defined property rights in transition economies lead to inefficient control over assets and lax contract enforcement. In his paper, Shleifer details three approaches to establishing property rights: giving bureaucrats equity ownership, weakening bureaucratic discretion through civil-service reform and eliminating bureaucratic control through the political process.

Shleifer argues that privatization, as an example of the last option, has clear benefits for economic efficiency because it establishes genuine private property rights. Citing Russia, his paper shows how privatization can be combined with some equity rights to establish property rights.

In the final paper on transition economies, Gary Jefferson of Brandeis University and Thomas Rawski of the University of Pittsburgh compare China's gradual implementation of reform policies with other approaches. They conclude that China's initial, partial reform efforts 15 years ago have brought the country to the brink of a market system.□

LENDING

Turkey Plans Privatization Drive

Turkey plans to privatize and restructure many of its public enterprises as part of its broad economic reform plan. To accelerate the process and build public support, the World Bank on May 3 approved a $100 million loan to help Turkey strengthen key agencies involved in the plan, launch a public information campaign and help public workers who may be affected when companies are sold.

A number of state-owned industries are slated for sale in the agro-industries, auto assembly and distribution, steel, petrochemicals and shipping. And plans are underway to privatize the power utility and undertake a major reform of telecommunications.

About a third of the loan will go toward strengthening Turkey's social safety net to protect displaced workers. The project will include job retraining, small enterprise development and incubation programs and job counseling. Several programs will improve social services, some of which are provided by the enterprises, in affected areas. And in some areas, the project will fund local public works programs and create transitional jobs. The government will launch a public information campaign using mass media, special events and other materials to reassure workers and educate them about the privatization program.

The project will help Turkey hire the financial, accounting, industrial and environmental experts needed to execute sales already planned, including companies in textiles, shipbuilding and steel. And to improve the country's institutional capacity to convert and regulate public industries, the project will finance advisors and technical assistance for the Ministry of Treasury and the Public Participation Administration, the agency directly responsible for privatization.

Turkey's public enterprises include 120 government-owned companies and 71 affiliated partnerships scattered throughout the economy. Public companies control service sectors such as railways, telecommunications and electricity. They dominate in commodities trading, financial and mining sectors and in production of basic metals and chemicals.

State enterprises generate about 10 percent of the country's GDP. But, while declining in size relative to Turkey's growing overall economy, they account for almost 40 percent of public borrowing.□

Date	Event	Sponsor	Location	Telephone
MAY				
11-13	Annual Meeting of the African Development Bank and African Development Fund	African Development Bank/ African Development Fund	Nairobi, Kenya	(202)429-5160*
17	Jordan Consultative Group	World Bank	Paris	(33-1)4069-3016
18	Lithuania Public Investment Meeting	World Bank	Paris	(33-1)4069-3016
19	Latvia Public Investment Meeting	World Bank	Paris	(33-1)4069-3016
20	Estonia Public Investment Meeting	World Bank	Paris	(33-1)4069-3016
23-27	World Conference on Natural Disaster Reduction	United Nations	Yokohama, Japan	(212)963-1234*
23-27	Consultative Group on Int'l Agricultural Research	World Bank	New Delhi	(91-11)600121
JUNE				
1	Turkmenistan Investors' Conference	World Bank	Paris	(33-1)4069-3016
1-2	Conference on Development, Mining and the Environment	World Bank	Washington	(202)473-4275*
2-3	Kyrkyz Republic Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
6-7	Romania Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
9-10	Bulgaria Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
14	Honduras Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
15	Guatemala Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016

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CONSULTATIVE GROUP MEETINGS

Donors Pledge $235 Million for Mauritania

The Consultative Group for Mauritania pledged about $235 million over the next two years to support the country's reforms.

The group, meeting in Paris May 5-6, applauded Mauritania's progress under an ambitious adjustment program of economic, political and social reforms launched in 1992. The country's medium- and long-term development strategy, laid out in Paris, focuses on poverty reduction, environmental protection and institutional and human development, including a target of 90 percent primary school enrollment, with 50 percent of girls in school, by the year 2000.

Despite progress, Mauritania's economy remains vulnerable to external shocks, a heavy debt burden, a very strong reliance on external borrowing and widespread poverty.

Uncertain international markets and prospects for two of Mauritania's key sectors, iron ore and fisheries, further complicate the country's outlook. And a growing population continues to strain available employment.

Donors and representatives of the government agreed on the need to strengthen aid coordination in light of the large role external financing plays in the public investments program.

The group set tentative plans for consultative meetings every two or three years, and for the adoption of new coordination measures to include systematic information sharing and periodic reviews of the public investment program.□

Peru's Economic Progress Wins $1 Billion Backing from Donors

Members of Peru's consultative group preliminarily pledged about $1 billion in balance of payments and project assistance and $90 million dollars for the country's technical assistance in 1994.

The pledged funding includes programs by the World Bank and the Inter-American Development Bank, mainly social sector and infrastructure projects.

The group, meeting in Paris May 10-11, committed the funds in light of the Peru's progress toward economic reform. Since the beginning of strict fiscal and monetary measures in 1990, inflation has fallen from 7,600 percent to 39 percent in 1993 and the fiscal deficit, 6.5 percent of GDP four years ago, dropped to under 3 percent last year. Peru's economy grew by 7 percent in 1993.

The country has privatized 33 state-owned enterprises to date and intends to sell its remaining industries by mid-1995. And an Emergency Social Fund has financed more than 9,000 community-based projects worth more than $300 million. The projects improve access to social services and infrastructure, and help small entrepreneurs create businesses and jobs.□

UNICEF/Fran Antmann

Fund targets social projects

ALBANIA In Albania's District of Durres, water is available for only two hours in the morning, and in the past decade four typhoid epidemics have been traced to contamination in the decrepit system. To eliminate water shortages and ease health risks in Durres, Albania will rehabilitate the water and sewage system with help from an International Development Association credit of SDR 8.4 million ($11.6 million) approved May 10.

ECUADOR The World Bank approved May 10 a $20 million loan to help Ecuador modernize and streamline its irrigation system, the main water user in the country. The project will help finance technical and expert assistance to improve policies, rationalize public spending and involve the private sector in the vast public irrigation system.

WORLD BANK NEWS

Michael Prest, Editor
Cynthia Delgadillo, Production Assistant
Steve Hendrix, Reporter

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WORLD BANK NEWS

Volume XIII, No. 20 May 19, 1994

LENDING

India Launches Campaign to Restore Sight To Millions of Blind People

India has launched a massive campaign to restore sight to some 8 million blind people, a fifth of the world's blind.

The campaign to remove cataracts—a clouding of the eye that obstructs sight—is being backed by an SDR 85.3 million credit ($117 million) from the International Development Association.

"This is the boldest effort yet to reduce blindness in a developing country," says Maria Donoso Clark, the Bank's task manager for the project, which was approved May 14.

The country's prevalence of blindness is 1.3 per 1,000, one of the highest in the world. A third of all blind people are Indian. And more than 80 percent of the 13 million Indians blind in both eyes are sightless because of treatable cataracts.

To help reduce blindness toward a target of 0.3 per 1,000 within six years, more than eight million Indians will undergo cataract surgery in scores of project-funded treatment centers in seven states (Andhra Pradesh, Madya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu and Uttar Pradesh). Hundred of eye camps will crisscross the states, bringing ophthalmologists and surgical teams to isolated areas where health care is scarce.

C. Carnemark

She will see again.

"The project's main focus will be on restoring the sight of poor people, particularly women," says Clark. "Cataracts are more prevalent among women than men in India, due largely to a lack of access to health services."

India's staggering number of treatable blind people is one of its major public health problems. Cataract blindness reduces the quality of life of the sufferer, and the lost earnings of a blind person and the added burden on families result in high economic costs. Unlike other countries where cataracts occur mainly among people over 60 years old, 40 percent of cases in India are in the productive years between 40 and 60, particularly in rural and tribal populations.

"This loan marks a watershed," Clark says. "In developing countries, adult disabilities have often been neglected because of competing priorities for public health budgets."

See **INDIA**, *page 2*

Brazil launches school reform in southern state. **2**

World commodities prices jumped in the first quarter of 1994. **3**

Indonesian road project to lift rural living standards. **7**

Development agenda, page 3

China speech, page 8

Lending roundup, page 8

Thousands of Health Care Workers Recruited for All-Out Assault on Cataracts

INDIA, *from page 1*

The unique, all-out assault on cataract blindness was fashioned as a cooperative effort involving India, the Bank, the World Health Organization, bilateral agencies and numerous international and Indian non-governmental organizations (NGOs). And to ensure that India can keep pace with cataract cases once the backlog is erased, the credit will provide grants to non-profit institutions to expand their services, seed money for private ophthalmic surgeons to practice in small towns and funds to other NGOs and doctors to reach patients in urban slums and remote tribal areas.

"This is a very participatory project," says Clark. "It is expected that toward the end of the project, the workload will have shifted significantly from the government to the non-governmental sectors."

The high-volume, high-quality cataract surgery needed in India will become possible by strengthening existing institutions, introducing higher standards of care and upgrading the skills of ophthalmic personnel. The project will recruit about 364 surgeons, 1,100 staff nurses and ophthalmic assistants, 283 operating nurses and 260 assistants.

M. Iannacci

Maria Donoso Clark

Treatment centers will need almost 500 new operating theaters, 350 ophthalmic wards or permanent camp sites with almost 6,000 beds and about 2,200 "dark rooms" with refraction equipment. □

LENDING

Southern Brazilian State Starts Radical Overhaul of Schools

The most exciting part of a major Bank education project in the Brazilian state of Minas Gerais, according to a Bank education expert, is what happened even before the funding was approved.

Months ahead of the Bank's May 17 approval of a $150 million loan for basic education improvements, the Minas Gerais government completely overhauled its school system with a package of innovative reforms and a successful public campaign to enlist parents, politicians, industry, unions and other groups as school advocates.

M. Iannacci

Alcyone Saliba

"There is tremendous interest in improving the quality of education there," says Alcyone Saliba, an education specialist in the Bank's Latin America region. "The state has already established a framework that can lead to a better education system. We're just piggybacking on what's already happening in Minas Gerais."

The southeastern state of 16 million residents is in many ways a microcosm of Brazil. Despite the state's relatively favorable socioeconomic indicators—based on its industrial and agricultural success—income distribution is lopsided and educational performance is poor.

In Minas Gerais, as in all of Brazil, students on average complete about half as many years of schooling as those in Argentina and Venezuela, countries with about the same per capita income. Most students in the state master only half the curriculum, 60 percent don't graduate and only 2.5 percent complete eighth grade without repeating a grade.

"The state spends about one third of its education budget on repeaters," says Saliba. "That is a tremendous amount of resources being misspent on repetition rather than on overall educational quality."

But the state government of Minas Gerais is completely redefining its relationship with local school systems, Saliba says. Unlike the old centrally directed system, each school and school council now has power over its own materials budget and curriculum. The state provides resources and is instituting innovative testing to monitor student performance. This combination of autonomy and accountability is novel in Brazil, and Minas Gerais' reform efforts were applauded last year by the United Nations Children Fund.

The loan, plus another $152 million in state funding, will build on the state's enthusiastic reforms with high quality materials and expert assistance. The project aims to increase by about half, to 50 percent, the number of students who reach grade five with no more than one repetition.

The five main components of the project include funding to improve system-wide management, more and better administrative training and equipment, teacher competence programs, new instructional materials, especially books, and better buildings management. □

Date	Event	Sponsor	Location	Telephone
MAY				
19-20	International Debt Conference	Governments of Sweden and Switzerland	Geneva	(202)473-4467*
20	Poverty Reduction Seminar	World Bank	Helsinki	(33-1)4049-3013
23-27	Consultative Group on Int'l Agricultural Research	World Bank	New Delhi	(91-11)600121
28	Public Affairs Seminar	World Bank	Riga	(202)473-1797*
28	Poverty Seminar	Inter-Church Coalition on Africa	Montreal	(202)473-1790*
JUNE				
1	Turkmenistan Investors' Conference	World Bank	Paris	(33-1)4069-3016
1-2	Conference on Development, Mining and the Environment	World Bank	Washington	(202)473-4275*
2-3	Kyrkyz Republic Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
6-7	Romania Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
8	World Development Report Press Briefing (11 a.m.)	World Bank	Washington	(202)473-1784*
9-10	Bulgaria Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
14	Honduras Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
15	Guatemala Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
16	Nicaragua Consultative Group	World Bank	Paris	(33-1)4069-3016

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COMMODITY REPORT

World Commodity Prices Jump Strongly During First Quarter of 1994

The average price of commodities other than fuel and steel took a sharp jump in the first quarter of 1994, as lower than expected supplies could not meet increased demand in industrial countries and continued high demand in developing countries, according to the World Bank's International Trade Division.

Foods

Harsh weather cut *banana* exports from Central and South America, causing a 53 percent price rise. Brazilian exports of *frozen concentrated orange juice* are expected to fall due to a smaller orange crop. Australian and New Zealand *beef* exports have been increasingly diverted to Asia as U.S. imports are restricted by the U.S. import regime. Strong demand in Japan and disease problems in some countries drove a continued increase in *shrimp* prices. *Sugar* stocks, hurt by drought, are down by an estimated two million tons.

Beverages

Coffee prices rose sharply in the last few months, pushed up by declining production and stock retention programs. Increased mid-crop production and unexpectedly low grindings have depressed *cocoa* bean prices. Kenya's severe drought lowered its *tea* harvest during the first quarter and raised world prices.

Fats and Oils

Lower production in the Philippines lifted *coconut oil* prices. High *palm oil* prices boosted Malaysian exports and substantially drained its stocks. South America's *soybean* crop will not be large enough to offset low U.S. and European crops.

Trees are up but houses are not.

Grains

Weak import demand subdued the price response to low *coarse grain* stocks, but disappointing production could set off a sharp price increase. Japan's massive import requirement fueled a price surge in *rice*. But a decline in world trade and prospects for large production pushed down *wheat* prices.

Agricultural Raw Materials

Tightening *cotton* supplies sharply increased prices, and high prices are expected to last into 1995 or possibly longer. There was insufficient demand to sustain 1993's sharp rise in *jute* prices as importing mills operated from stocks until prices moderated. The supply/demand balance for natural *rubber* is expected to tilt slowly in favor of producers, and negotiations on a new International Natural Rubber Agreement are scheduled for October. *Pulpwood* prices climbed in the first quarter, but housing starts, up in Japan, have been slow to recover in Europe.

Metals and Minerals

Aluminum consumption is edging up in major regions, and lower production led to a modest reduction of stocks. Strong demand for *copper* in the United States and some Asian countries contributed to a recent price surge. *Iron ore* prices were negotiated for a third consecutive year. Weak *zinc* consumption in Japan and Europe offset strong demand in the United States and some Asian countries. *Nickel* market fundamentals indicate continued downward pressure on prices in the near term but improved prospects in the medium term. World *steel* production climbed in early 1994, compared to a year earlier, but production was still declining in Japan and the former Soviet Union. World *tin* consumption remains below last year's

See COMMODITIES, *page 7*

COMMODITY PRICE DATA

Commodity	Unit	QUARTERLY AVERAGES Jul-Sept 1993	Oct-Dec 1993	Jan-Mar 1994	MONTHLY AVERAGES January 1994	February 1994	March 1994
BEVERAGES							
Cocoa	¢/KG	114.2	132.5	126.7	126.4	122.9	130.7
Coffee: *Robusta	¢/KG	125.2	133.9	136.0	130.9	134.0	142.9
*Brazil	¢/KG	157.7	161.9	173.6	157.4	176.7	186.6
Oth Mild	¢/KG	168.7	173.8	183.6	174.1	185.0	191.8
Tea	¢/KG	171.2	190.2	175.0	164.6	173.9	186.6
CEREALS							
Rice Thailand	$/MT	231.3	338.1	436.0	437.5	447.5	423.0
Grn Sorghum	$/MT	97.3	111.6	118.5	121.9	119.2	114.3
Maize	$/MT	100.8	115.0	123.3	127.2	123.2	119.4
Wheat: Canada	$/MT	192.1	224.9	216.9	223.8	218.2	208.8
*U.S.	$/MT	117.3	134.9	143.5	152.7	144.2	133.5
MEAT							
Beef: U.S.	¢/KG	278.6	259.1	253.5	242.2	249.4	269.0
*Lamb	¢/KG	300.4	297.8	298.0	302.3	296.0	295.8
SUGAR							
World	¢/K[illegible]	21.0	22.7	24.1	22.7	23.9	25.9
FRUITS							
Bananas	$/MT	339.5	371.2	568.4	532.6	666.9 R	505.6
Oranges	$/MT	484.2	461.1	370.9	304.0	344.1	464.4
FATS & OILS							
Palm Oil	$/MT	356.7	367.0	395.3	44.0	387.0	395.0
Coconut Oil	$/MT	446.3	499.3	569.0	595.0	573.0	539.0
Groundnut Oil	$/MT	825.3	846.3	1005.7	993.0	1011.0	1013.0
*Soybean Oil	$/MT	492.3	538.7	588.3	602.0	577.0	586.0
Soybeans	$/MT	273.7	264.0	276.3	282.0	273.0	274.0
Copra	$/MT	299.0	329.7	384.0	403.0	384.0	365.0
Groundnut Meal	$/MT	182.7	184.3	187.3	195.0	188.0	179.0
Soybean Meal	$/MT	221.3	212.7	207.3	215.0	207.0	200.0
FISHERIES							
*Shrimp	¢/KG	1098.3	1160.0	1190.5	1171.2	1171.2	1229.1
*Fish Meal	$/MT	356.7	354.7	360.7	366.0	364.0	352.0
FIBERS							
Cotton: A Index	¢/KG	123.8	124.1	169.9	151.8	177.8	180.2
*U.S.	¢/KG	119.6	121.5	168.3	148.8	175.4	180.2
Jute	$/MT	260.0	313.4	410.0	410.0 E	410.0 E	410.0
*Sisal	$/MT	660.0	646.3	635.0	635.0	635.0	635.0
*Wool	¢/KG	280.4	308.9	322.1	315.0 R	329.2 G	0.0
RUBBER							
RSS NO.1:U.S	¢/KG	96.8	98.4	103.3	99.0	101.4	109.4
*Singapore	¢/KG	82.2	82.1	87.4	81.6	86.7	93.8
METALS & MINERALS							
Copper	$/MT	1912.2	1666.9	1862.2	1805.3	1866.4	1914.9
Tin: Malaysia	¢/KG	472.9	466.0	514.2	479.8	532.9	529.9
Nickel: LME	$/MT	4703.6	4734.0	5663.5	5578.0	5825.0	5587.5

COMMODITY PRICE DATA

Commodity	Unit	QUARTERLY AVERAGES Jul-Sept 1993	Oct-Dec 1993	Jan-Mar 1994	MONTHLY AVERAGES January 1994	February 1994	March 1994
METALS & MINERALS (cont'd)							
*Free Mkt	$/MT	4744.6	4856.8	5746.0	5617.4	5950.3	5670.3
Aluminum: LME	$/MT	1163.2	1073.7	1244.5	1174.6	1269.9	1289.0
*Free Mkt	$/MT	1225.8	1135.1	1324.8	1263.8	1344.8	1365.9
Lead	¢/KG	38.4	41.5	47.6	49.0	48.5	45.2
*Silver	¢/TOZ	467.2	460.2	528.5	513.1	527.2	545.1
*Gold	$/TOZ	375.4	373.8	384.3	386.9	381.9	384.1
Zinc: *U.S.	¢/KG	95.8	99.0	102.6	105.3	103.5	98.9
LME	¢/KG	89.5	93.9	96.7	99.7	96.9	93.6
Iron Ore	$/MT	28.1	28.1	25.5	25.5	25.5	25.5
Steel: *Rebar	$/MT	360.0	348.3	338.3	360.0	340.0	315.0
*Merch Bar	$/MT	403.3	363.3	326.7	340.0	320.0	320.0
*Wire Rod	$/MT	406.7	390.0	390.0	390.0	390.0	390.0
*Section	$/MT	373.3	375.0	361.7	370.0	360.0	355.0
*Plate	$/MT	450.0	443.3	448.3	450.0	450.0	445.0
*HR Coilsheet	$/MT	390.0	393.3	391.7	390.0	390.0	395.0
*CR Coilsheet	$/MT	490.0	500.0	500.0	500.0	500.0	500.0
*Galvan Sheet	$/MT	580.0	560.0	543.3	540.0	540.0	550.0
ENERGY							
Crude Oil:							
*Official	$/BBL	17.0	16.7	14.3	16.5	13.3 R	13.0
*Spot	$/BBL	14.6	13.7	12.9	13.1	12.9	12.6
Coal:							
*Australia	$/MT	31.0	31.0	31.0	31.0	31.0	31.0
*U.S.	$/MT	38.0	38.0	38.0	38.0	38.0	38.0
TIMBER							
Logs: *Cameroon	$/CM	301.2	303.9	306.8	304.0	304.7	311.6
Malaysia	$/CM	433.8	338.7	302.9	294.8	303.4	310.5
Sawnwood:*Malaysia	$/CM	511.0	633.1	723.4	729.0	714.4	726.7
*Ghana	$/CM	533.9	573.7	584.2	593.0	574.7	585.0
*Plywood	¢/SH	688.3	604.3	597.0	565.0	600.3 R	625.8
*Woodpulp	$/MT	409.1	390.4	434.8	431.3 R	436.5 R	436.5
FERTILIZERS							
Phosphate Rock	$/MT	33.0	33.0	33.0	33.0	33.0	33.0
*UREA	$/MT	101.7	111.7	120.7	120.0 E	119.0 E	123.0
*TSP	$/MT	106.7	115.4	126.0	125.0	125.6	127.5
*DAP	$/MT	124.8	149.0	162.5	158.4	159.8	169.5
*Potassium Chloride	$/MT	107.5	105.4	105.2	106.5	105.5	103.5
SELECTED PRICE INDICES (1990=100)[C]							
Agri. Food		92.6	99.6	105.7	104.1	106.2	106.9
Fats and Oils		116.1	117.8	125.0	128.7	124.1	122.2
Agri. Non-food		87.3	88.2	100.7	95.4	101.5	105.2
Agri. Timber		244.8	191.2	170.9	166.4	171.2	175.2
Metals and Minerals (excl. steel)		76.1	72.4	76.5	74.5	77.4	77.7
Steel Products		95.7	93.9	92.1	92.9	91.8	91.6
33 Selected Commodities		95.3	95.4	100.5	98.1	101.1	102.3

A: Not Available; B: No Quotation; E: Estimate; G: Average for less than period indicated; N: Nominal; R: Revised; *: Not included in index. Journalists may obtain more detailed information about commodities by writing to the World Bank, International Trade Division, Room S-7053, Washington, D.C. 20433.

LENDING

Indonesian Farmers on Their Way to Higher Incomes With Rural Roads Project

A project to upgrade and improve maintenance on rural roads in Indonesia should markedly boost the standard of living for farmers as transport costs fall and new markets open to them.

The $207 million project, financed in part by a $101.5 million World Bank loan approved May 17, will target roads in five rural districts, or kabupatens. Less than 40 percent of roads in the project kabupatens are in good or fair condition, a figure below the national average.

Poor roads contribute to agriculture falling below potential in the kabupatens, where only about 3 percent of land is farmed, out of almost 40 percent that is potentially cultivable. With the road project, economic prospects for the rural population could improve quickly.

"First comes the employment on the road itself," says Emmanuel James, Bank task manager for the project. "After the roads are ready, farmers can get supplies such as fertilizer more cheaply, and they have easier access to markets with their produce."

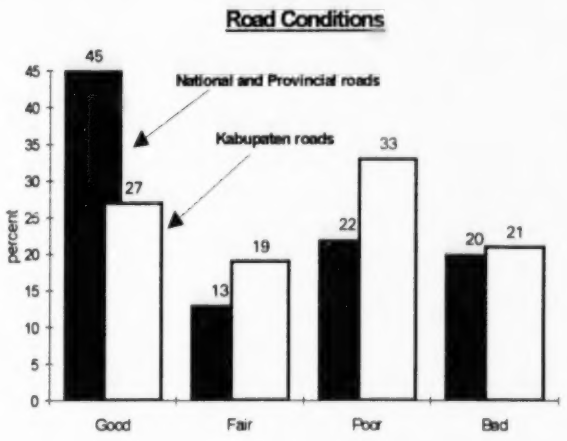
About 70 percent of Indonesia's population live in rural areas, and road improvements have proved effective in reducing rural poverty. A study of successful poverty reduction in rural Indonesian villages cited the building of kabupaten roads as a main contributor, James said.

Maintenance of the project roads is only about a quarter of what is necessary, it is estimated. The 181,000-km network of kabupaten roads tends to be of poorer quality than national roads, mainly because of inadequate maintenance practices, limited budgets and weak institutional capacities at the local level.

Building on previous road improvement projects in Indonesia, the project will raise the governments' ability to maintain roads on a sustainable basis, and will provide materials for immediate maintenance needs.

Responsibility for selecting roads for upgrading, for maintaining the roads and for budgeting and planning would all be left to the kabupatens themselves, with assistance under the project.

"They must plan and prioritize their investments," James says.□



Donors Pledge $200 million to Jordan

Donors have offered Jordan about $200 million virtually to close its financing gap for 1994 and to support the country's far-reaching economic reforms.

Meeting in Paris May 18, the Consultative Group for Jordan, chaired by Ram Chopra, a director in the Bank's Middle East and North Africa region, complimented the Jordanian government on its concerted efforts at economic restructuring and reform. It noted the government's recent "politically and socially difficult economic decisions."

Dr. Ziad Fariz, Jordan's planning minister and representative at the CG, said that his country was committed to continuing with its reform program. But Jordan's external debt burden was too heavy for it to bear alone. Economic adjustment depended, he said, on "the support of our friends to fill the financing gap to keep the engine of reform on its tracks."

Insert Headline for Commodities

COMMODITIES, *from page 3*

level but U.S. demand is up and other countries are expected to follow.

Energy

Major *coal* contracts finalized in early 1994 have lower prices than in 1993. World demand for *petroleum* climbed by 1 percent in the quarter, partly due to more consumption by industrial countries and a slower decline in the FSU.

Fertilizers

Nitrogen prices increased due to higher raw material costs and strong demand in China, India and the United States. *Phosphate* fertilizer material supplies are tightening and demand is forecast to exceed production capacity in the medium term.□

SPEECHES

China Faces Key Challenges to Become Global Economic Force, Says Bank Official

China is increasingly being seen as a "potential center of economic gravity" in the world, but the country's economic future depends on how it handles external conditions, domestic challenges and the quality and stability of its economic growth, a top World Bank official said.

B. Burgess
Ernest Stern

Given China's spectacular economic performance of recent years—9 percent average annual growth and 17 percent export growth since 1978—it is time for the country "not to just respond to external conditions, but to help shape them," said Bank Managing Director Ernest Stern, speaking May 12 to an audience of business, academic and government leaders in Beijing. "What China does now makes a big difference to the rest of the world." Stern singled out trade and investment policies as external areas warranting special attention.

On domestic challenges, Stern cited the need for competitive countries to be agile in the global arena. Decentralization, private initiative and strong institutions are needed so a country is "diverse and flexible—and can react to change with minimal disruption," he said.

And while commending China on its phenomenal economic achievements, Stern said the country's rapid growth has taken place against a backdrop of severe imbalances among regions and income groups, rapid changes in relative welfare, increasing environmental destruction and periodic high inflation. "China's very high growth rates have been largely the result of very high investment rates—major underlying issues of productivity improvement remain to be addressed," he said. To manage the quality and stability of its growth, Stern called on China to address five key needs: macroeconomic stability, reform of inefficient state enterprises, improving basic infrastructure, environmental sustainability and continued efforts to reduce poverty.□

> **What China does now makes a big difference to the rest of the world.**
>
> —Ernest Stern

BENIN Benin will use a SDR 13.2 million ($18.1 million) credit from the International Development Association (IDA) to increase children's, especially girls', access to improved primary education. The project, approved May 17, will help finance better and more educational materials, teacher training, a new system for textbook provision and administrative streamlining.

ESTONIA Estonia will improve its highway maintenance program with help from a $12 million World Bank loan approved May 12. The project will help fund surface maintenance on almost 3,000 km of roads over two years, and will improve training, research and administration in Estonia's road agencies.

LESOTHO To bolster Lesotho's privatization efforts with technical and expert assistance, IDA approved on May 17 a credit of SDR 7.9 million ($11 million). The credit will help the government continue reforms to reduce the size of the public sector and encourage private investment in and expansion of the private sector.

WORLD BANK NEWS

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WORLD BANK NEWS

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PUBLICATIONS

Loan Will Strengthen Russian Banking And Boost Emerging Private Sector

Banks are booming in Russia. Commercial banks numbered fewer than 100 in 1988, but almost 2,000 new ones have since sprung up to serve Russia's fledgling private sector. And in the absence of mature capital markets and other sources of finance, bank lending plays a key role in the country's economic restructuring.

M.Iannacci

Jacques Toureille

But just as a rapid buildup of commercial banks is crucial for privatization, stable oversight and professional management are critical for better banking. And although the new banks boost some of Russia's best financial and business talent and up to 100 of them are evolving into strong institutions, the sector still needs to improve its management and train large numbers of staff.

To that end, the Russian government, with help from a $200 million World Bank loan approved May 19 and other funding, is moving to improve private banking services, promote bank stability and streamline resource mobilization and credit allocation.

"An efficient financial sector is crucial to any economy," says Jacques Toureille, principal financial economist in the Bank's European and Central Asia region. "Good banks lead the way to the efficient allocation of resources."

The project will target 30 to 40 of Russia's best banks—those already strengthening their balance sheets and sharpening their banking skills—and help them build up their capacity as a competent core for the sector. In turn, these banks will set higher standards and create a dynamic for improving banking across the country. The core group also will provide the basis for a private clearing system at the federal level and qualify to handle World Bank and other international lines of credit.

"These banks are the most important in several ways," says Toureille. "They are located in the main economic centers in Russia, and they control an essential portion of the assets of the economy. As they improve, they will act as a model for other banks."

See **Russian**, *page 2*

FINANCING SOURCES	Local	Foreign	Total	Percent of Total
	(US$ million equivalent)			
IBRD	3.0	197.0	200.0	51.4
EBRD	1.5	97.5	99.0	25.4
EU	--	36.0	36.0	9.2
OTHER GRANT COFINANCING	--	37.4	37.4	9.6
GOVERNMENT/CBR	3.0	--	3.0	0.8
PARTICIPATING BANKS	4.0	10.0	14.0	3.6
TOTAL	11.5	377.9	389.4	100.0

First infrastructure loan for Occupied Territories approved. 2

Bank Managing Director Sven Sandstrom speaks on participation. 3

Bank's first investment loan to Belarus tackles forest reform. 4

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Foreign Banks to Mentor Russian Counterparts

Russian, *from page 1*

But even Russia's best banks have significant room for improvement. Their loans are highly concentrated, with lending decisions tending to favor their own shareholders. Accounting and auditing reforms have been slow to take hold in the system, and directors and branch managers enjoy broad discretion with little accountability. And the banks lack modern processing equipment and software.

To address these needs, the project will pair each of the selected banks with a reputable international foreign bank. These "mentor" banks will help their Russian counterparts learn sound practices and standards by sending them specialists in key positions, exchanging other personnel and sharing software.

The "twinning" relationship has incentives for both banks: the international bank gains a potential partner and entry into the Russian market, and the Russian institution enjoys a direct channel to proven banking know-how.

"It's an intimate relationship that we hope will develop into a more permanent partnership," says Toureille.

In addition to the technical help Russian banks will receive from their international partners, the project includes plans to modernize the institutions' information and data processing equipment.

The other two main components of the project will heighten external oversight of the system. The project will help the Central Bank of Russia hone its surveillance skills by training on-site inspectors, and establishing off-site early warning systems to detect problem banks at an early stage.

And it will help the Ministry of Finance bring accounting and auditing procedures in line with international practices.□

LENDING

Infrastructure Rehabilitation Plan Launched in Occupied Territories

Urgently needed repairs to dilapidated water systems, roads, schools, and other crucial services in the Gaza Strip and the West Bank are set to begin soon following approval this week of a $128 million emergency rehabilitation project, the first of several planned for the Occupied Territories.

The project, funded by donors and a $30 million Gaza-trust-fund credit approved May 26 by the International Development Association, is part of a three-year, $1.2 billion Palestinian assistance plan coordinated by the World Bank. As the Palestinians assume self-rule in the Gaza and part of the West Bank, the first projects were selected as the most likely to quickly deliver widespread and tangible benefits to the population of the territories.

M. Iannacci

Kingsley Robotham

"Unemployment has been rising in the Occupied Territories since the beginning of the Intifada," says Kingsley Robotham, task manager for the project and a senior urban planner in the Bank's Middle East region. "The creation of productive employment quickly as a means to help stabilize the situation in the territories is a critical part of the project."

The project's construction elements alone will create an estimated 10,000 man-years of direct employment over three years, improve health and education and conserve resources.

In addition to addressing some of the Palestinians' most urgent social needs, the project will begin to clear the most critical infrastructure bottlenecks and help resuscitate the ailing local economy. The program will open up private sector opportunities by strengthening the region's overall economic foundations.

"The infrastructure has been neglected for a long time, particularly in Gaza," says Robotham. "Unless we attend to these problems pretty quickly, we won't be able to get the economy moving."

The targeted sectors are education, power, roads, water and wastewater sanitation. And to help implement the project—and others to follow—the plan also provides startup and operating funds for the Palestinians' main reconstruction agency, the Palestinian Economic Council for Development and Reconstruction.

Specifically, the project will:

Improve education. Educational achievement in the territories is low, particularly among children whose schooling was interrupted by the Intifada. The program provides $20.5 million to reduce overcrowding, upgrade teaching material and repair crumbling schools.

Renovate the power system. $10 million will help the local utility supply electricity more reliably. Project engineers will string new high and low voltage lines and upgrade old equipment to increase capacity. The repaired system will serve as the nucleus of a future regional distribution network.

Supply safe water. Almost a third of the funds, $39.4 million, are earmarked to rehabilitate and extend water supply and water sanitation networks in the towns and camps. The project will rehabilitate existing networks and wells and improve stormwater and sewage systems.

Repair roads. As part of a five-year highway rehabilitation and maintenance program, the project will spend $15.2 million on roads between population centers. It provides another $34.8 million to improve key municipal roads and facilities such as parks, playgrounds, fire protection and markets.

The $1.2 billion assistance program is the first half of almost $2.5 billion in help for the Occupied Territories pledged by donor countries after the September, 1993, peace accord.□

SPEECHES

Bank Acting to include Popular Participation in Mainstream of its Work

Following are excerpts from a speech by Sven Sandstrom, a managing director of the World Bank, at a participation workshop involving non-governmental organizations, academics, government officials and Bank staff in Washington, D.C. on May 18.

The global trend towards "participation" is one of the fundamental changes of our time: more open economies and trading systems; more open political systems and democratization; more highly educated people in the developing countries and increasing human-resource capacity; more rapid and widespread forms of communication and information flow. All this, in turn, has led to increasing interest in participation among all concerned with development — in both the developed and developing countries.

M.Iannacci

Sven Sandstrom

Participation: End and Means

Participation is an important "end" in itself. But it is also a "means" — to more effective poverty reduction. That gives it added potency. A growing body of research is confirming that participation can be highly effective in helping communities overcome the shortcomings of very different kinds of economic and governance systems.

We know that participation is not easy — it involves time, financial, and other transaction costs. But we also know that the costs of not undertaking participation can be even higher — in terms of the efficiency and sustainability of development. This is perhaps most apparent in the social sectors. But it is no less true in the so-called "harder" sectors — infrastructure, energy or even capital market development, for example — where understanding and involving the broad spectrum of interests is vital.

In short: participation is the right way of doing business — and it benefits all development activity. All development institutions now recognize this, although we are at different points on the learning curve. That makes our sharing of best practices all the more important.

The Bank's Learning Curve

The Bank has learned a good deal about participation — through, for example, our work in rural and urban development and water and sanitation projects. But we did not do enough to crystallize the lessons, disseminate them, and "mainstream" them in our operational work.

Beginning in 1990 with the Learning Group on Participatory Development, we began to focus our effort. The progress made since then shows how a small group can influence a large bureaucracy — provided, of course, that the idea they are promoting is powerful (which it clearly is in this case).

Their efforts were aided by a trend in the Bank over the last couple of years towards more openness — for example, through our expanded information and disclosure policy and the effort to strengthen collaboration with our partners, both official and non-governmental. The Wapenhans Report on portfolio management — which highlighted the importance of ownership in implementing sustainable projects — added further momentum. (So the Learning Group certainly gets credit for timing!)

There is now a healthy interest in participation among staff, management and the Board – and an institutional commitment to mainstreaming. Even more important, there is action.

Agenda for Bank Action

First, a new generation of projects is emerging — the Matruh Natural Resource Management Project in Egypt (which involved poor Bedouins at the initial design stage); the Chad Education Project,which involved everyone from government officials to school principals and teachers in devising a national education strategy; and the Water and Sanitation Project in Brazil which was redesigned during implementation to take account of the views of the poor in the favellas.

Second – and I would like to stress this point because I feel it tends to get neglected – there is an increasing trend toward participation in formulating country assistance strategies and in economic and sector work. That is, we are moving beyond the project level and applying participatory approaches at the policy level, where they can have even broader impact.

Third, various "participation" networks have grown up within the Bank's Operational Regions; and, in fact, a "best practice" handbook will be ready by early 1995. Several chapters are already completed and are being tested here at the Workshop.

Fourth, the Learning Group is working with our Personnel teams to devise new programs to train and sensitize staff on participation issues.

Finally, we are setting up a Fund for Innovative Approaches in Human and Social Development (and only the Bank could come up with a name like that!) – to support staff and managers in undertaking participatory work and building capacity in this area.

These signs of "culture" change within the Bank should not be exaggerated. There is still a long way to go. But we *are* moving in the right direction.□

LENDING

First Bank Investment Loan to Belarus Aims to Cultivate Timber Industry and Help Economy

Forests have been central to the culture and economy of Belarus for centuries as a source of timber, fuelwood, game, food and medicine. And economic reforms in the former Soviet republic and its neighbors are expected to spur the demand for wood products and raise the importance of the vast woodlands even further.

But forestry in Belarus needs reform.

IBRD 25408

Outdated planting and harvesting practices have curbed productivity and weakened the health of working forests. About 20 percent of timberlands are tainted by fallout from the 1986 Chernobyl nuclear accident. And the breakup of the former Soviet Union has disrupted old markets and sources of sawlogs and spare parts.

To help make Belarus forestry more efficient, environmentally sound and able to play a leading economic role, the World Bank on May 26 approved a $41.9 million loan to reorganize the sector.

The Bank is backing Belarus's macroeconomic reforms with a previous adjustment loan, but the forestry project marks the first sector-specific investment in the country. Forestry policy reform will help usher in the next stage of overall economic policy reform, as Belarus plans to remove trade restrictions and free up the domestic market in wood and wood products and foster competition.

"The Belarus government came to us and said, 'This is where we want to start,'" says Brian Berman, the Bank's task manager for the project. "Forestry can be a major contributor to Belarus's economy. It's really their only major exportable natural resource."

The project includes three main components to help Belarus modernize forestry practices, establish a long-term strategic plan for the sector and address its most serious environmental concerns.

Belarus's forest cover was almost completely razed during World War II, and--except for its few stands of old growth forest protected within national parks--most of its trees are too young to harvest as full-growth stock.

Replanting has brought the country's forest cover back up to eight million hectares, but much of the forest was overplanted and crowding raises the risk of disease and fire and reduces future yields. To protect the forests' long-term health and value, the project will thin overcrowded tracts. Removing some of the trees will allow more space and light for the rest to grow more vigorously.

"There is a serious concern that the health of the forests was being damaged by out-of-date practices," says Berman. "The project basically is going in and cutting out a lot of undersized trees."

The project will also provide foresters with better tree stocks, seed processing facilities, and more efficient harvesting methods.

Radiation contamination from the Chernobyl nuclear power plant explosion presents Belarus with its most pressing environmental concern. Entry into the most heavily contaminated areas is restricted, and in low radiation areas the project funds extensive systems to monitor worker and product safety.

The project will also expand Belarus's forest fire protection programs with new equipment and training to prevent the spread of radiation by smoke. Improvements will include new fire-fighting equipment, better communications networks and protective clothing to protect fire-fighters from smoke and radioactivity.

Additionally, the environmental component of the project will improve the country's ability to monitor the effects of air pollution on forests, and study the impact of forestry on vast sections of drained wetlands. The study will identify important wetlands, inventory bilogical species in the areas and determine whether some of them could be restored.□

L. Carbonnier

Deputy Forestry Minister Valentin Zorin, a driving force behind the Belarus forestry project.

Date	Event	Sponsor	Location	Telephone
MAY				
28	Public Affairs Seminar	World Bank	Riga	(202)473-1797*
28	Poverty Seminar	Inter-Church Coalition on Africa	Montreal	(202)473-1790*
JUNE				
1	Turkmenistan Investors' Conference	World Bank	Paris	(33-1)4069-3016
1-2	Conference on Development, Mining and the Environment	World Bank	Washington	(202)473-4275*
2-3	Kyrkyz Republic Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
6-7	Romania Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
8	World Development Report Press Briefing (11 a.m.)	World Bank	Washington	(202)473-1784*
9-10	Bulgaria Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
14	Honduras Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
15	Guatemala Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
16	Nicaragua Consultative Group	World Bank	Paris	(33-1)4069-3016
AUGUST 1994				
22-26	Environment and Quality of Life in Central Europe	Int'l Geographic Union Regional Conference		(42-2)203608
SEPTEMBER 1994				
5-13	International Conference on Population and Development	United Nations	Cairo	

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Conference on Mining and Development

The Conference on Development, Environment and Mining will take place June 1-3 at World Bank headquarters in Washington, D.C. Participants will discuss the role and potential of mining in sustainable development.

For more information, contact Henri Bretaudeau, (202) 473-3412.

Caribbean Countries and Donors to Meet

The Caribbean Consultative Group for Cooperation in Economic Development will meet in Washington, D.C. June 6-10.

For more information on scheduled press briefings, contact Ciro Gamarra, (202) 473-8721.

World Development Report, 1994: Pre-Publication Briefing

The World Bank will hold a prepublication press briefing on the World Development Report 1994, *Infrastructure For Development*.

The press briefing will be Wednesday, June 8, 11 a.m., in the World Bank Auditorium, 701 18th St. NW (J-Building), Washington, D.C. Remarks at the briefing and the report itself are embargoed until 4 p.m. EDT, Sunday, June 19.

For more information, contact Bill Brannigan, (202) 473-1784.

CHAD Chad's basic infrastructure is in a critical state of decay. Housing, sanitation, drainage, community facilities and utilities are badly deteriorated following years of war and drought. A credit of SDR 12.4 million ($17.4 million) approved May 19 by the International Development Association will help Chad use labor-intensive projects to stabilize and expand infrastructure and build up the government's own capacity to provide basic services.

JORDAN Increasing economic activity in Jordan is driving up the demand for reliable telecommunications service, which has not been be able to meet growing needs. The government, with help from a $20 million World Bank loan approved May 24 and other funding (including $50 million in commercial loans guaranteed by the Bank), will restructure telecommunication policies and upgrade the network.

LITHUANIA A $26.4 million Bank loan approved May 24 will help Lithuania recondition its battered electric generation and transmission system. The project will rehabilitate two thermal plants and upgrade equipment and management practices, making the system more safe, reliable and efficient.

MAURITIUS Mauritius, determined to build on already impressive economic successes, plans to enhance export competitiveness of its private enterprises by training them in better productivity, quality, technology and diversification. The project, partly funded by a $7.7 million Bank loan approved May 24, will provide technical assistance and regulatory reforms.

MONGOLIA Mongolia's transportation infrastructure is inadequate for the high demand in a country of such vast size. A $21.6 million Bank loan will help the country rehabilitate and expand key parts of its transport system. The project, approved May 24, will overhaul railways, repair roads and provide policy advice and technical training.

ROMANIA Romania is taking steps to improve the performance of its industries and to boost exports with help from a $175 million World Bank loan approved May 19. The project will provide investment credit and export finance for industries, and technical help to the banking sector and the Ministry of Industry.

WORLD BANK NEWS

Michael Prest, Editor
Cynthia Delgadillo, Production Assistant
Steve Hendrix, Reporter

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WORLD BANK NEWS

Volume XIII, No. 22 June 2, 1994

LENDING

Better Land Means Better Living: Fighting Poverty and Erosion in Northern China

On the enormous Loess Plateau in Northern China, ecological damage to the land is both a cause and effect of the region's extreme poverty. Poor farm families on the erosion-prone plateau clear land and plow where they can, usually on sharply sloping hillsides. Rains come and wash away the exposed topsoil, further carving away the land and flushing tons of silt through deepening gullies to the Yellow River far below. Farmers, their crops spoiled, have little choice but to strip plant cover from another slope and the cycle continues.

That pattern, coupled with irregular water supplies, has continued for thousands of years. Today the people of the area are among the poorest in China, and the terrain resembles a desolate moonscape, according to Juergen Voegele, an economist in the Bank's China region.

"They plow that land and the minute it rains it washes down like a mudslide," Voegele says. "From a slope covered with vegetation to something like desert badlands only takes a few decades."

Now China and the people of the Loess Plateau, with help from a $150 million credit from the International Development Association approved May 26, are launching a plan to restore the heavily eroded region and thereby lift 1.2 million people out of absolute poverty.

Using a proven, integrative approach that treats the entire watershed, the project

See CHINA, *page 2*

Loess Plateau's increasingly lunar look.

Bulgaria plans to upgrade and decentralize its water and sewage systems. **2**

The International Finance Corporation invests in a new bank for the Occupied Territories. **4**

Press advisory, page 2

Development agenda, page 3

Lending roundup, page 4

LENDING

Bulgaria Clears Backlog of Water and Sewer Works to Reduce Shortages, Cut Pollution

Drinking water is scarce in Bulgaria. The supply is only half the European average and a third of the country suffers permanent or seasonal water shortages. And pollution is worse because fewer than 20 percent of Bulgarians are connected to sewers and some factories–taking advantage of weak enforcement–discharge untreated industrial waste into the country's rivers.

Central planners have been unable to improve conditions. Although 98 percent of people are connected to water systems, shortages persist in over 1,000 cities and settlements. And despite launching scores of new water, wastewater and sewage treatment projects in recent years, the ministry in charge of providing such services to 85 percent of Bulgarians has been unable to complete them. One by one, budget constraints and poor planning have halted them.

"Too many works projects throughout the country were initiated without appropriate financial planning," says Bernardo Gomez, a senior financial analyst in the World Bank's Eastern Europe region and task manager of a new $98 million Bank loan designed to help Bulgaria decentralize and improve its water systems.

The project, approved May 26, will start rehabilitation of water and sewage networks across the country. It will reduce the amount of water wasted by old and inefficient systems, provide more water in areas where shortages are acute, raise drinking water quality where health is threatened, improve sewage collection and cut pollution in sensitive areas (where, for example, upstream pollution prevents downstream water use and causes other ecological damage).

The project will work on two main fronts: It will finance construction to clear Bulgaria's backlog of unfinished water and sewage projects. And it will help the country shift responsibility for the services to a string of regional water and sewerage companies and make them more accountable and efficient.

M. Iannacci

Bernardo Gomez

"The local authorities know better the needs of the local population and bring more responsiveness to local needs," says Gomez.□

People of Loess Plateau Devise Erosion-Control Plan

CHINA, *from page 1*

will plant trees and grasses on more than 270,000 hectares of slopeland, build small dams and terrace hillsides to stop the fertile soil from being washed away. As a result, erosion can be stopped and some fertile land will be restored as silt runoff collects behind dams and barriers. Terracing will also help farmers maximize rainfall, most of which now rolls uselessly off the slopes.

"Just by using rainfall properly, you can double or even triple the yields even without additional irrigation," says Voegele, task manager for the project.

The plan is expected to increase grain production by about 50 percent and fruit production by 400 percent. This will greatly reduce the threat of famine and enable farming communities to subsist without regular shipments of grain.

Indeed, the project was planned mainly by local people looking for ways to improve their lives. The Bank has provided technical knowledge to buttress concepts devised and tested by more than 1,000 people from more than 2,000 villages.

"They came up with a very sound way to manage a small watershed," Voegele says. "When you go to a valley and see that it looks like a moonscape, you don't believe it's possible to do anything with it. But then you go to the next valley, where the people have been working on it for five years, terracing and planting, and you can't believe the difference."

In addition to the land development and erosion control works on 15,600 square kilometers in Inner Mongolia, Shanxi, Shaanxi and Gansu, the project will provide training and assistance to local conservation agencies to monitor and control the anti-erosion campaign in years ahead.□

For more information on the Loess Plateau Project, contact Peter Stephens at (202) 458-0344.

World Development Report, 1994

The World Bank will hold a prepublication press briefing on the World Development Report 1994, *Infrastructure for Development*.

The press briefing will be Wednesday, June 8, 11 a.m., in the World Bank Auditorium, 701 18th St., N.W. (J-Building), Washington, D.C.

Remarks at the briefing and the report itself are embargoed until 4 p.m., EDT, Sunday, June 19.

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8	World Development Report Press Briefing (11 a.m.)	World Bank	Washington	(202)473-1784*
9-10	Occupied Territories Ad-Hoc Liaison Committee Meeting	Government of France	Paris	(202)473-2318*
9-10	Bulgaria Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
15-17	Nicaragua Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
23-24	Aral Sea Donors' Meeting	World Bank	Paris	(33-1)4069-3016
27-28	Macedonia Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
29-July 1	India Development Forum	World Bank	Paris	(33-1)4069-3016
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IFC NEWS

IFC Backs New Commercial Bank in Occupied Territories

Close on the heels of the first infrastructure loan to the Occupied Territories, which will help prepare the ground for economic growth, the International Finance Corporation (IFC) is helping to provide another crucial element for private sector activity: a sound commercial bank.

The financial sector in the territories, once robust, has withered during decades of occupation. The two small banks operating in Gaza and Jericho, constrained by official restrictions and lack of capital, can't meet the growing demands of industrial development.

To fill the void in wholesale commercial banking, IFC, as part of a group of funders, is making a $3.8 million equity investment and providing a $15 million credit line to a new Arab Palestine Investment Bank (APIB).

Operating along modern lines in accordance with international practices, APIB will serve as a catalyst for financial sector growth and a model for Palestinian banking.

The new bank will focus mainly on trade finance and term lending for industrial and commercial projects.

IFC's investment amounts to 25 percent of APIB's share capital. Other sponsors include the Arab Bank (51 percent), DEG (a German development agency, 15 percent) and Palestinian investors (9 percent).□

BURKINA FASO To slow population growth and curb the spread of AIDS, Burkina Faso will use a credit of SDR 19 million ($26.3 million) approved May 31 by the International Development Association (IDA) to increase use of modern contraceptives and promote safer health practices. The project will strengthen population and public health institutions and private sector and NGO participation.

ESTONIA A $38.4 million World Bank loan approved May 26 will help Estonia restructure district heating networks in several of its cities, boosting efficiency and reducing its reliance on imported heavy fuel oil and gas. The project will replace or repair old boilers, converting them to burn indigenous fuels, and streamline management of the systems.

INDONESIA Indonesia will start a national dam safety system--including basic safety and monitoring facilities at existing dams and support for new safety institutions--with help from a $55 million Bank loan approved May 31. The project will reduce the country's risk of dam failures.

MALI To improve its roads, railroads and overall transport sector, an IDA credit of SDR 46.1 million ($65 million) will finance part of Mali's program to modernize transport administration and restore infrastructure. The credit, approved May 26, will help repair and maintain roads and ferries, and improve the railway.

NIGER An IDA credit of 29.3 million ($41.4 million) approved May 31 will help Niger reform schools with better training, management and materials. Niger's goal is to boost first grade enrollment by 40 percent, raise the share of girls in school to 40 percent and reduce repetition from 16 to 10 percent.

TOGO A broad-based program of labor intensive urban works projects will help Togo provide employment and improve infrastructure in the capital city of Lome. The program, financed by a $26.2 million IDA credit approved May 31, will include projects in transport, environment and sanitation, community development and urban management.

ZAMBIA To help Zambia boost the role of its private sector in the petroleum industry, IDA on May 31 approved a credit of SDR 21.6 million ($30 million). The credit will fund part of a program to formulate policies, rehabilitate the Tazama Pipeline and modernize an important oil products depot.

WORLD BANK NEWS

Michael Prest, Editor
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WORLD BANK NEWS

Volume XIII, No. 23 June 9, 1994

LENDING

China Plans Key Eastern Highway

China's rapid economic growth of the past several years has caused a boom in traffic on the country's highways. But spending on roads hasn't kept pace with the climbing number of vehicles and trips, with an expected result: traffic jams and economic bottlenecks.

In two of China's most economically important provinces, the lack of good transport infrastructure has contributed to significant pockets of poverty. Hebei encircles Beijing, the capital. Henan extends south along the Yellow River and is China's second most populous province. Together, the adjacent provinces—scene of burgeoning industrial and agricultural activity—make up part of a crucial transport corridor extending from Beijing south to Hong Kong.

To relieve congestion along this strategic route—and thus spur development and reduce poverty in the region—China plans to construct a controlled-access, four-lane expressway stretching 340 km along the spine of the provinces between

See HIGHWAY, *page 4*

From Frigates To Freighters At The Philippines' Subic Bay

The big grey ships are gone from the Philippines' Subic Bay, former site of the largest U.S. military facility outside the United States. The navy base, once the keystone of the local economy, closed in 1992. Now it's freighters that will tie up to Subic's inner harbor wharves. The military bustle has been replaced with the buzz of commercial activity and the runways and warehouses clustered around the docks are again generating revenue and jobs.

The Philippines is developing Subic Bay into a freeport area, converting the structures and spacious lands of the old base into a center of international trade, manufacturing and tourism where businesses operate without the usual taxes and duties. New free-trade policies, the port's central Pacific location and good facilities are already enticing local and foreign investors to set up shop there.

"It's a world-class infrastructure," says

See SUBIC, *page 2*

US Navy

Harboring great ambitions

In the Philippines, the earth's own energy provides clean electricity. 3

Algeria tackles a backlog of water and sewer works projects. 3

China launches plan to restore and protect critical forests. 4

Mining conference brings together industry, governments and NGOs. 6

Consultative meetings, page 4

Development agenda, page 5

Lending roundup, page 6

Subic Bay Freeport Will Generate Jobs And Revenue For Local Communities And Protect Environment

SUBIC, *from page 1*

Shilpa Patel, a senior economist in the Bank's East Asia region. "It's secure; it's safe, and it's quite pretty. There is an awful lot of international interest in this place."

That interest has already generated more than $350 million in commitments from international investors in areas ranging from light manufacturing to tourism. By 2003, the freeport is expected to spawn more than 80,000 jobs for local workers and create as much as $37.6 million a year in income for the Subic Bay Metropolitan Authority (SBMA).

M. Iannacci

Shilpa Patel

To help the Philippines with the ambitious conversion, the World Bank on June 2 approved a $40 million loan to promote private investment and spur economic growth.

The funds will go toward:

- Site improvements, such as road and bridge work and improvements to the airport and ports;
- Strengthening the institutional capacity of the SBMA to manage the freeport and implement free-trade zone policies; and
- Environmental protection to safeguard the area's natural resources.

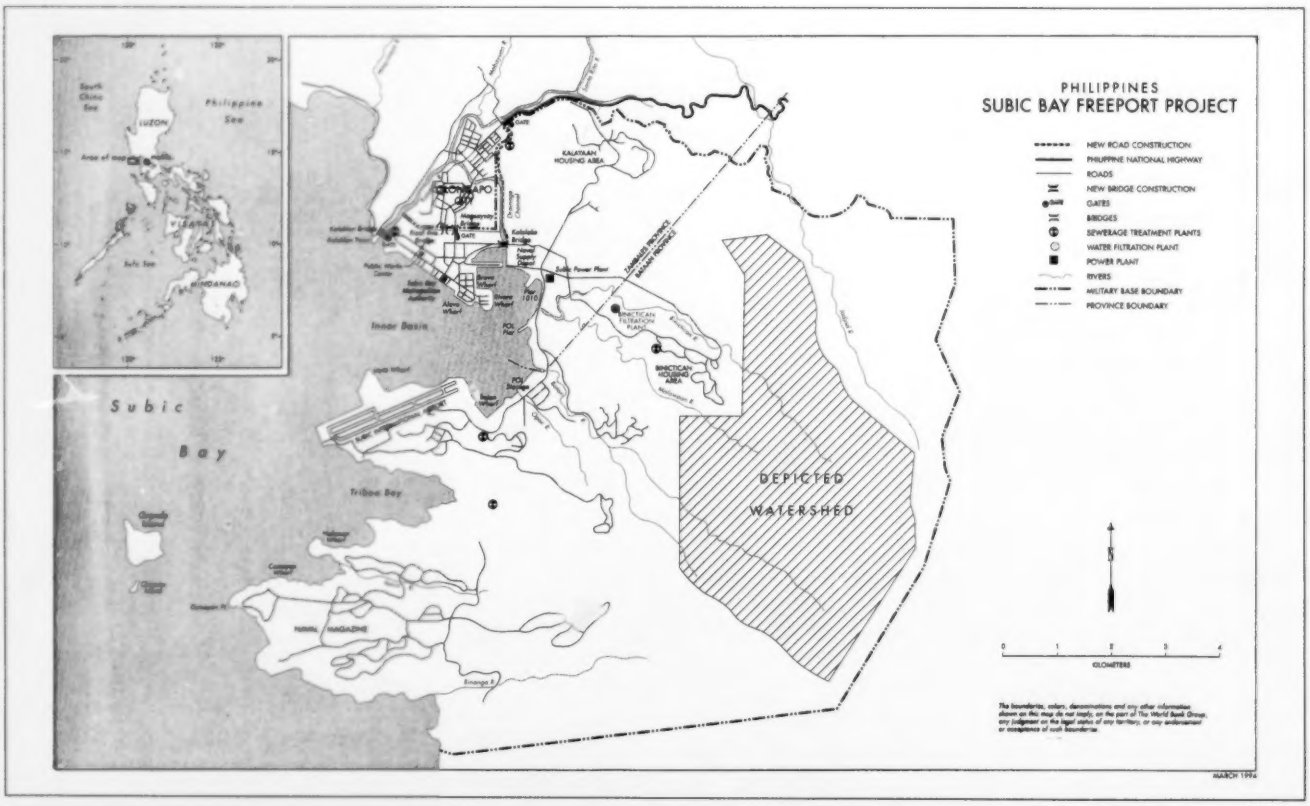
The 15,000-hectare freeport encompasses one of the last undisturbed rainforests in Central Luzon Island. Through environmental surveys and limiting construction to already developed areas, the government is determined to protect the pristine tract forenvironmental and economic reasons.

"Environmental safeguards to protect this area are critical," says Patel, task manager for the project, "not only for species and biological diversity preservation, but also to preserve the area's watershed."

Free trade zones already generate about 20 percent of the country's foreign investment. The Subic Bay Freeport, which allows even some domestic duty-free sales, will provide nearby communities with a sound—and more broad-based—replacement for the old navy economy.

"The base was just one activity and everyone was dependent on it," says Patel. "This is a far more diversified job base. It's less susceptible to economic downturns in any one sector. We hope the project will show what an investor-friendly, non-bureaucratic environment can do for the Philippines."

For more information on the Subic Bay Freeport project, contact Peter Stephens at (202) 458-0344. □



IBRD 25499

LENDING

Geothermal Energy Project Will Help To Relieve Philippine Power Shortage

Creating jobs and raising living standards in the Philippines, as in any country, depends heavily on a reliable electricity supply for businesses and homes. But for the last several years, acute power shortages in the country have posed a grave threat to economic progress in the Philippines. Blackouts and brownouts of up to 10 hours a day have interrupted commercial activity, causing unemployment and costing the developing economy almost $1 billion a year.

M. Iannacci

Claudio Fernandez

To resolve the power crisis and meet the Philippines' growing demand for electricity, the government is tapping into an indigenous, environmentally benign resource: the vast reserves of geothermal energy boiling deep below the island surface.

A $227 million World Bank loan, along with commercial financing supported by the Bank and grants from the Global Environment Facility and other sources, is part of the Philippines' $1.3 billion geothermal development plan. The project will establish a clean, reliable power supply for the Luzon region, which includes Metro Manila, the country's largest industrial and population center.

The project will provide the Philippines with environmental and management assistance, new geothermal wells, power stations and transmission lines. And for the first time, the National Power Corporation will weave most of the country's various power systems into an integrated national grid, cutting down on the brownouts and shortages that strike some areas.

"If you have a problem with one plant in one region, you can compensate for it with power supply from a plant in another region," says Claudio Fernandez, a principal financial analyst in the Bank's Pacific region and task manager for the loan. "This project will optimize indigenous energy that they have not been able to use, and which, together with other ongoing projects, is likely to convert the Philippines into the largest user of geothermal energy in the world."

Geothermal energy—which uses steam produced by natural geologic forces to spin generator turbines—offers Filipinos several advantages. It will help isolate them from crippling fluctuations in international fossil-fuel markets, while causing a fraction of the pollution of alternative coal- or oil-burning generators. A single coal-fired plant vents into the atmosphere up to 15 times more carbon dioxide—a gas blamed for possible global warming—than a geothermal plant.

For more information on the Leyte-Luzon Geothermal project, contact Peter Stephens at (202) 458-0344.□

Algeria Invests In Water Supply To Meet Growing Demand

Algeria's 100-year-old water and sewer systems need renovating. Despite recent improvements by the government, half the potable water produced by the old network leaks out of rusty pipes and faulty valves. Even though most Algerians have access to the systems, many of them can get water only intermittently. Pressure is weak and shortages are common.

Yet Algeria, largely dry and desert covered, has little water to waste. In the north, where 90 percent of the people live, about 760 cubic meters of water are available per person each year, compared to neighboring Morocco's 1,200 cubic meters. With continuing economic growth and plans for expanded, irrigation-based agriculture, Algeria's water systems will have to become more productive and more reliable. In addition, its sanitation networks, which let wastewater pass untreated into rivers and the Mediterranean Sea, must be better able to serve a growing population.

To meet those needs, Algeria plans a comprehensive $170 million restructuring of its water and sewer works. The program, which will decentralize management of urban water utilities and rehabilitate existing water and sewage infrastructure, is backed by a $110 million World Bank loan approved June 2. The repairs will cut pollution and let Algeria make the most of its limited water for years to come.

M. Iannacci

Fritz Rodriguez

"If they can reduce that leakage to around 20 percent, they will postpone costly new systems like sea water desalination," says Fritz Rodriquez, principal water engineer in the Bank's Middle East and North Africa region. "But if they don't do something, it is going to be almost impossible to meet urban demand in the future."

Policy reforms will convert state run water systems to autonomous utilities that lease the networks from the government. The government, in turn, will be able to use those fees for new investments in the systems.□

LENDING

China Launches Huge Plan To Restore Forests and Watersheds

Forests are critical to China. The country is the third largest timber consumer in the world and depends on forests for woodproducts, paper pulpwood and almost half its rural household energy needs.

But China's forest resources are limited—it has only 0.11 hectares of forest cover per person, compared to a world average of 0.77 hectares. And supply is beginning to outstrip demand with some dangerous results: China loses about half a million hectares of forests a year, leading to increased soil erosion, loss of plant and wildlife habitat and other environmental problems.

Now China is launching a $356 million plan to replace some of its forest cover, protect environmentally important woodlands and watersheds and boost the productivity of commercial forests. To help fund the program, the International Development Association approved a $200 million credit on June 7.

The project will work in 17 provinces and autonomous regions and will address all three major forest types in China—commercial plantations, watershed protection forests and nature reserves.

"This project, which is one of the Bank's largest afforestation efforts worldwide, will increase the country's forest area, make commercial forests more productive and preserve biological resources," says Rick Scobey, a senior economist in the Bank's China region and task manager for the project. "It's an effective model of how the Bank can help countries improve forest technologies."

The project's major components will:

- Turn 620,000 hectares of barren, degraded land in 16 provinces into managed plantation forests for timber, pulpwood and other woodproducts. "These forests will introduce new planting techniques that will significantly improve timber yields in China," Scobey says;
- Establish 280,000 hectares of watershed protection forests in the middle and upper reaches of the Yellow River basin in Sichuan and Hubei Provinces, areas prone to soil erosion, flooding and river sedimentation;
- Strengthen biodiversity conservation and overall management in five nature reserves, including better protection for the forest habitat of giant panda and other endangered species;
- Improve plant stock and nursery management to help produce the 2.1 billion seedlings needed by the project, and to give Chinese foresters a lasting source of high-quality young trees.

The project's focus on remote areas where there is a shortage of productive land, low farm productivity and few off-farm jobs will also help reduce poverty. Twenty percent of those benefiting from the project fall below the absolute poverty line.

For more information on China's forestry project, contact Peter Stephens at (202) 458-0344.□

New Highway At Core of China's National Road System

HIGHWAY, *from page 1*

the capital region and Xinxiang, the third largest city in Hebei. A $380 million World Bank loan for the project was approved June 7. The new road will form part of the north-south arm of a grand cross at the core of China's planned basic national highway network. Eventually, improvements on National Highway 107 will connect Beijing to Hong Kong, and National Highway 310 will run east to west from Lianyungang to Urumqui.

Road improvements are critical in the two provinces. Their industrial and agricultural bases are growing and the principal overland route between the capital and Hong Kong runs through both of them. But despite the fast economic growth of the region, peoples' incomes in Henan and Hebei are below the national average by 36 percent and 13 percent respectively, a lag partly attributable to bad transport. And the provinces' own heavy industry and cash-crop economies are shifting to produce more consumer goods and fruits and vegetables for the large cities to the north, products that demand even faster, more efficient road transportation.

In addition to construction of the expressway and its facilities, the project will upgrade and rehabilitate about 160 km of feeder highways. It will also provide staff training, equipment for maintenance and road laboratories, capacity studies and inter-provincial traffic monitoring.□

Donors Back Kyrgyz Republic and Romania

The Consultative Group for the **Kyrgyz Republic** has pledged $550 million over the next 12 months to support the country's reforms. Meeting in Paris June 2-3, the CG agreed that the government's priorities were to accelerate agricultural development and strengthen the social safety net. The International Monetary Fund, the World Bank and donors commended the government's progress in implementing reforms.

The Consultative Group for **Romania** meeting in Paris June 6-7 recognized the important economic reforms undertaken over the past year. The CG emphasized that Romania needs to reduce energy consumption and accelerate private sector development while reinforcing social protection. It was agreed that Romania merited continued international backing.

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18-19	Uganda Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	Philippines Consultative Group Meeting	World Bank	Paris	(33-1)4069-3016
21-22	50th Anniversary Conference of the Bretton Woods Institutions	U.S. Department of State	Washington	(202)473-1789*

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MEETINGS

Mining Conference Digs Up Common Ground

Mining has long been important to developing countries, but relations between industry, governments and environmentalists have sometimes been marked more by friction than friendship. Last week, however, a major conference hosted by the World Bank helped reveal the common ground shared by these three parties.

More than 300 people from 50 countries, two-thirds of them developing nations, attended the conference on "Development, Environment and Mining: Enhancing the Contribution of the Mineral Industry to Sustainable Development."

Craig Andrews, a mining expert in the Bank's Industry and Energy Department, said: "We thought it was time to stimulate wider discussion among professionals representing governments, companies, non-governmental organizations, and international financial institutions and to sit down and discuss mining."

The conference showed that mining companies, developing countries and environmentalists were starting to think along the same lines, Andrews said. He cited privatization, taxation, mining legislation, environmental protection, and the importance of involving local communities in project—all conference themes—as examples.

"There's a more healthy respect for each others' positions," Andrews observed.

Participants agreed that mining and minerals development could be beneficial for communities, governments and industry. But an attractive investment climate and sound economic policy were prerequisites for realizing the potential benefits.

Privatization, although desirable, can pose difficulties, particularly finding other jobs for displaced miners.

Heavy-handed and centralized government environmental regulation is giving way to a more consultative approach to setting objectives and monitoring. Restoring mining sites as closely as possible to their original environmental condition has been widely accepted as a goal. Environmental management was seen as an integral part of project planning and execution. The value of involving local communities and respecting local circumstances was stressed.

Tax regimes should be stable and balance government revenue needs with equitable treatment of companies while offering a reasonable investment return in a risky business.

The conference was sponsored by the Bank, the International Council on Metals and the Environment (an industry group), the United Nations Conference on Trade and Development, and the United Nations Environment Programme, with assistance from the United Kingdom Overseas Development Administration and other donors.□

BENIN Benin plans to expand safe water and sanitation facilities among rural populations in a way that lets villages design and operate their own systems. A credit of SDR 7 million ($9.8 million) approved June 7 by the International Development Association, will fund Benin's plan to use local contractors and consultants to build water sources and sanitation works and provide hygiene education in rural areas throughout the country.

KAZAKHSTAN To shore up the efficiency and long-term financial health of Kazakhstan's petroleum sector, the government will use a $15.7 million World Bank technical assistance loan approved June 2. In part, the project will help Kazakhstan form policies to encourage private sector participation, promote foreign investment and improve management and training in its oil and natural gas industries.

INDONESIA A $174 million Bank loan approved June 7 will help provide a range of urban infrastructure improvements in the Indonesian cities of Semarang and Surakarta. The project will fund new roads, bridges and footpaths, enhance water supplies and sewage works and drainage systems and rehabilitate low-income housing. The plan includes a pilot program to conserve historical districts and buildings.

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